Lite-On Technology Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2008 and 2007 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lite-On Technology Corporation

We have audited the accompanying balance sheets of Lite-On Technology Corporation ("Parent Company") and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Parent Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. However, as disclosed in Note 2 to the financial statements, we did not audit the financial statements as of and for the years ended December 31, 2008 and 2007 of the consolidated subsidiaries, which were audited by other auditors. The assets of these subsidiaries were 18.35% (NT$31,160,620 thousand) and 17.83% (NT$34,593,927 thousand) of the consolidated total assets as of December 31, 2008 and 2007, respectively. The sales of these subsidiaries were 21.53% (NT$49,669,006 thousand) and 10.39% (NT$27,199,340 thousand) of the consolidated total sales in 2008 and 2007, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lite-On Technology Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As discussed in Note 3 to the financial statements, effective January 1, 2008, Lite-On Technology Corporation and subsidiaries adopted Interpretation 2007-052 - “Accounting for Bonuses to Employees, Directors and Supervisors” issued by the Accounting Research and Development Foundation of the Republic of China and relevant requirements promulgated by the Financial Supervisory Commission of the Executive Yuan.

February 27, 2009

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors’ report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

	2008		2007	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Note 4)	$ 42,987,452	25	$ 39,911,949	21
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 29)	149,299	-	21,579	-
Available-for-sale financial assets - current (Notes 2 and 6)	3	-	7,043	-
Notes receivable (Note 2)	47,831	-	74,614	-
Accounts receivable, net (Notes 2 and 7)	32,461,049	19	48,168,831	25
Accounts receivable from related parties (Notes 2 and 24)	8,860	-	1,398,731	1
Other financial assets - current	2,406,563	2	3,221,294	2
Inventories, net (Notes 2 and 8)	19,061,652	11	29,133,093	15
Prepayments	2,874,230	2	2,667,582	1
Noncurrent assets classified as held for sale (Notes 2 and 9)	559,897	-	177,600	-
Deferred income tax assets - current (Notes 2 and 21)	864,390	1	668,595	-
Other current assets	611,628	-	563,146	-
Total current assets	102,032,854	60	126,014,057	65
INVESTMENTS (Notes 2, 10, 11 and 12)				
Available-for-sale financial assets - noncurrent	1,834,848	1	2,753,106	1
Financial assets carried at cost - noncurrent	2,010,182	1	926,420	1
Investments accounted for by the equity method	3,958,191	3	3,482,112	2
Prepayment for investment	-	-	497,660	-
Total long-term investments	7,803,221	5	7,659,298	4
PROPERTIES (Notes 2 and 13)				
Cost				
Land	2,782,587	2	2,627,534	1
Buildings	18,006,638	10	17,251,565	9
Machinery and equipment	32,982,392	19	32,818,180	17
Transportation equipment	157,859	-	265,595	-
Office equipment	3,059,886	2	3,011,092	1
Leased equipment	1,407,655	1	1,319,271	1
Miscellaneous equipment	3,109,449	2	3,032,312	2
Total cost	61,506,466	36	60,325,549	31
Less: Accumulated depreciation	23,093,099	14	21,852,370	11
Accumulated impairment	2,124,963	1	1,273,270	1
	36,288,404	21	37,199,909	19
Add: Construction in progress and prepayments for equipment	2,079,522	1	1,709,806	1
Net properties	38,367,926	22	38,909,715	20
INTANGIBLE ASSETS				
Patent use rights (Notes 2 and 14)	2,134,237	1	2,358,893	1
Goodwill, net (Notes 2 and 14)	14,401,339	9	14,301,772	8
Land use rights (Note 2)	442,705	-	437,776	-
Total intangible assets	16,978,281	10	17,098,441	9
OTHER ASSETS				
Leased assets, net (Notes 2 and 15)	134,663	-	79,621	-
Idle assets, net (Notes 2 and 15)	715,601	1	62,653	-
Refundable deposits (Note 26)	1,127,676	1	1,108,765	1
Deferred charges, net (Note 2)	2,250,505	1	2,367,486	1
Restricted assets - noncurrent (Notes 25 and 26)	277,786	-	235,356	-
Others	146,549	-	445,745	-
Total other assets	4,652,780	3	4,299,626	2
TOTAL	$ 169,835,062	100	$ 193,981,137	100

	2008		2007	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans (Note 16)	$ 6,531,252	4	$ 13,103,834	7
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 29)	113,836	-	3,817	-
Notes payable	1,039,691	1	1,211,174	1
Accounts payable	43,914,127	26	60,791,448	31
Accounts payable to related parties (Note 24)	352,741	-	649,883	-
Income tax payable (Notes 2 and 21)	2,344,966	1	2,131,161	1
Accrued expenses	8,587,854	5	8,665,197	4
Hedging derivative liabilities - current (Notes 2 and 29)	-	-	20,568	-
Advance receipts	1,367,278	1	1,413,767	1
Current portion of long-term debts (Note 17)	1,478,743	1	2,234,489	1
Product warranty reserve (Note 2)	948,623	-	977,398	1
Other current liabilities (Note 27)	6,401,161	4	5,695,464	3
Total current liabilities	73,080,272	43	96,898,200	50
LONG-TERM LIABILITIES				
Long-term debts, net of current portion (Note 17)	20,615,633	12	16,790,586	9
Hedging derivative liabilities - noncurrent (Notes 2 and 29)	250,304	-	-	-
Total long-term liabilities	20,865,937	12	16,790,586	9
RESERVE FOR LAND VALUE INCREMENT TAX (Note 2)	145,717	-	145,717	-
OTHER LIABILITIES				
Accrued pension costs (Notes 2 and 18)	177,150	-	249,915	-
Guarantee deposits received	18,336	-	31,743	-
Deferred income tax liabilities - noncurrent (Notes 2 and 21)	410,303	-	1,284,075	1
Deferred credits - gain on intercompany transactions (Note 2)	76,146	-	5,428	-
Others	485,731	1	172,382	-
Total other liabilities	1,167,666	1	1,743,543	1
Total liabilities	95,259,592	56	115,578,046	60
SHAREHOLDERS' EQUITY				
Capital stock of parent company at par value of NT$10.00				
Authorized 3,500,000 thousand shares; issued and outstanding 2,231,117 thousand shares in 2008; 2,180,216 thousand shares in 2007	22,311,174	13	21,802,163	11
Capital surplus				
Additional paid-in capital from share issuance in excess of par	7,608,080	4	7,608,080	4
Bond conversion	7,641,499	5	7,641,499	4
Treasury stock transactions	247,956	-	173,937	-
Long-term stock investments	-	-	20,838	-
Merger	10,255,921	6	10,255,921	5
Total capital surplus	25,753,456	15	25,700,275	13
Retained earnings				
Legal reserve	5,090,162	3	4,246,213	2
Unappropriated earnings	5,407,146	3	9,286,937	5
Total retained earnings	10,497,308	6	13,533,150	7
Other equity				
Unrealized loss on cash flow hedging	(250,304)	-	(20,568)	-
Unrealized gain or loss on financial instruments	(1,038,763)	(1)	656,447	-
Cumulative translation adjustments	2,375,674	2	1,025,890	1
Net loss not recognized as pension cost	(493)	-	(493)	-
Total other equity	1,086,114	1	1,661,276	1
Treasury stock - 2008: 57,991 thousand shares; 2007: 27,290 thousand shares	(1,857,643)	(1)	(1,104,073)	-
Total shareholders' equity of parent company	57,790,409	34	61,592,791	32
MINORITY INTEREST	16,785,061	10	16,810,300	8
Total shareholders' equity	74,575,470	44	78,403,091	40
TOTAL	$ 169,835,062	100	$ 193,981,137	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 27, 2009)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
SALES (Notes 2 and 24)	$ 233,515,903	101	$ 264,640,946	101
LESS: SALES RETURNS	1,713,347	1	1,991,250	1
SALES ALLOWANCES	1,342,899	-	1,129,744	-
NET SALES	230,459,657	100	261,519,952	100
OTHER OPERATING REVENUE	199,424	-	355,991	-
Total operating revenue	230,659,081	100	261,875,943	100
OPERATING COSTS				
Cost of goods sold (Notes 22 and 24)	199,170,539	86	229,089,717	88
Other operating cost	141,835	-	253,189	-
Total operating costs	199,312,374	86	229,342,906	88
GROSS PROFIT	31,346,707	14	32,533,037	12
UNREALIZED INTERCOMPANY GAINS (Note 2)	(70,718)	-	(3,092)	-
REALIZED GROSS PROFIT	31,275,989	14	32,529,945	12
OPERATING EXPENSES (Notes 22 and 24)				
Selling expenses	12,033,649	5	11,790,003	4
General and administrative expenses	7,984,665	4	5,744,209	2
Research and development expenses	4,981,696	2	4,613,028	2
Total operating expenses	25,000,010	11	22,147,240	8
OPERATING INCOME	6,275,979	3	10,382,705	4
NONOPERATING INCOME AND GAINS				
Interest income	1,131,938	1	1,403,296	1
Investment income recognized under the equity method (Notes 2 and 10)	-	-	86,647	-
Dividend income	66,191	-	30,234	-
Gain on disposal of tangible assets (Note 27)	1,334,592	1	55,673	-
Gain on disposal of investments, net	406,476	-	762,527	-
Exchange gain, net (Note 2)	895,030	-	554,539	-

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	**%**	**Amount**	**%**
Income from inventory scrap	$ 92,122	-	$ 70,807	-
Reversal of loss on decline in inventory value (Note 2)	309,637	-	53,298	-
Valuation gain on financial assets, net (Notes 2 and 5)	552,557	-	92,296	-
Miscellaneous income	2,336,509	1	1,851,277	1
Total nonoperating income and gains	7,125,052	3	4,960,594	2
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,203,191	1	1,011,360	1
Investment income recognized under the equity method (Notes 2 and 10)	63,519	-	-	-
Loss on disposal of assets	179,227	-	204,022	-
Loss on disposal of inventories	530,055	-	210,832	-
Impairment loss on noncurrent assets held for trading, financial assets available for sale, financial assets carried at cost, properties and idle assets (Notes 2, 9, 11, 12, 13 and 15)	1,360,379	1	96,620	-
Valuation loss on financial liabilities, net (Notes 2 and 5)	805,081	-	130,973	-
Miscellaneous expenses (Notes 22 and 27)	2,353,088	1	853,173	-
Total nonoperating expenses and losses	6,494,540	3	2,506,980	1
INCOME BEFORE INCOME TAX AND CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES	6,906,491	3	12,836,319	5
INCOME TAX EXPENSE (Notes 2 and 21)	1,317,077	1	2,290,580	1
CONSOLIDATED INCOME BEFORE CUMULATIVE EFFECTS RESULTING FROM CHANGES IN ACCOUNTING PRINCIPLES	5,589,414	2	10,545,739	4
CONSOLIDATED NET INCOME	$ 5,589,414	2	$ 10,545,739	4
ATTRIBUTED TO:				
Shareholders of parent company	$ 4,419,433	2	$ 8,490,217	3
Minority interest	1,169,981	-	2,055,522	1
	$ 5,589,414	2	$ 10,545,739	4

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Pretax	**After-tax**	**Pretax**	**After-tax**
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	$ 2.17	$ 2.01	$ 3.65	$ 3.37
Diluted	$ 2.15	$ 1.99	$ 3.65	$ 3.37

Pro forma information on the assumption that shares of Lite-On Technology Corp. held by its direct and indirect subsidiaries were not treated as treasury stock.

	2008		2007	
	Pretax	**After-tax**	**Pretax**	**After-tax**
CONSOLIDATED NET INCOME	$ 4,843,101	$ 4,493,323	$ 9,273,552	$ 8,570,877
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic	$ 2.18	$ 2.02	$ 3.64	$ 3.36
Diluted	$ 2.16	$ 2.00	$ 3.64	$ 3.36

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 27, 2009) (Concluded)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars; Except Cash Dividends Per Share)

	Issued and Outstanding Capital Stock (Note 19)		Advance Receipts for Common Stock	Capital Surplus (Notes 2 and 19)						Retained Earnings (Notes 2 and 19)				Unrealized Loss on Cash Flow Hedging (Note 2)	Unrealized Valuation Gain (Loss) on Financial Instrument (Notes 2 and 19)	Cumulative Translation Adjustments (Note 2)	Net loss not Recognized as Pension Cost (Note 2)	Treasury Stock (Notes 2 and 20)	Minority Interest (Note 2)	Total Shareholders' Equity
	Shares (Thousands)	Amount		From Share Issuance in Excess of Par Value	Bond Conversion	Treasury Stock Transactions	Long-term Stock Investments Under the Equity Method	Merger	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total							
BALANCE, JANUARY 1, 2007	2,873,481	$ 28,734,812	$ 346,380	$ 3,617,147	$ 7,596,809	$ 85,931	$ -	$ 10,255,921	$ 21,555,808	$ 3,417,409	$ 399,837	$ 9,332,813	$ 13,150,059	$ (59,756)	$ 376,247	$ 67,679	$ (493)	$ (1,219,780)	$ 17,061,785	$ 80,012,741
Effect of change in consolidated entities in 2007	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	302,157	302,157
Appropriation of prior year's earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	828,804	-	(828,804)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	(399,837)	399,837	-	-	-	-	-	-	-	-
Cash dividends - 24%	-	-	-	-	-	-	-	-	-	-	-	(6,984,407)	(6,984,407)	-	-	-	-	-	-	(6,984,407)
Stock dividends - 0.5%	14,551	145,508	-	-	-	-	-	-	-	-	-	(145,508)	(145,508)	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	-	-	(405,640)	(405,640)	-	-	-	-	-	-	(405,640)
Bonus to employees - stock	40,000	400,000	-	-	-	-	-	-	-	-	-	(400,000)	(400,000)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	(120,846)	(120,846)	-	-	-	-	-	-	(120,846)
Conversion of overseas convertible bonds into common stock	36,688	366,882	(346,380)	-	44,690	-	-	-	44,690	-	-	-	-	-	-	-	-	-	-	65,192
Cash dividends received by subsidiaries	-	-	-	-	-	88,006	-	-	88,006	-	-	-	-	-	-	-	-	-	-	88,006
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees	-	-	-	-	-	-	-	-	-	-	-	(50,725)	(50,725)	-	-	-	-	-	-	(50,725)
Adjustment arising from changes in unrealized gain or loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(95,245)	-	-	-	-	(95,245)
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	-	20,838	-	20,838	-	-	-	-	-	-	-	-	-	-	20,838
Unrealized gain or loss on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	39,188	-	-	-	-	-	39,188
Net income in 2007	-	-	-	-	-	-	-	-	-	-	-	8,490,217	8,490,217	-	-	-	-	-	2,055,522	10,545,739
Unrealized valuation gain or loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375,445	-	-	-	-	375,445
Translation adjustments on long-term stock investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	958,211	-	-	-	958,211
Issuance of new shares due to a share swap	88,547	885,469	-	3,990,933	-	-	-	-	3,990,933	-	-	-	-	-	-	-	-	-	-	4,876,402
Decrease in the carrying value of the Parent Company's shares held by subsidiaries due to the Parent Company's capital reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115,707	-	115,707
Capital reduction - May 22, 2007	(873,051)	(8,730,508)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,730,508)
Effect of change in parent's equity in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,609,164)	(2,609,164)
BALANCE, DECEMBER 31, 2007	2,180,216	21,802,163	-	7,608,080	7,641,499	173,937	20,838	10,255,921	25,700,275	4,246,213	-	9,286,937	13,533,150	(20,568)	656,447	1,025,890	(493)	(1,104,073)	16,810,300	78,403,091
Effect of change in consolidated entities in 2008	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of prior year's earnings																				
Legal reserve	-	-	-	-	-	-	-	-	-	843,949	-	(843,949)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends - 29.5%	-	-	-	-	-	-	-	-	-	-	-	(6,431,638)	(6,431,638)	-	-	-	-	-	-	(6,431,638)
Stock dividends - 0.5%	10,901	109,011	-	-	-	-	-	-	-	-	-	(109,011)	(109,011)	-	-	-	-	-	-	-
Bonus to employees - cash	-	-	-	-	-	-	-	-	-	-	-	(334,905)	(334,905)	-	-	-	-	-	-	(334,905)
Bonus to employees - stock	40,000	400,000	-	-	-	-	-	-	-	-	-	(400,000)	(400,000)	-	-	-	-	-	-	-
Remuneration to directors and supervisors	-	-	-	-	-	-	-	-	-	-	-	(73,491)	(73,491)	-	-	-	-	-	-	(73,491)
Conversion of overseas convertible bonds into common stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends received by subsidiaries	-	-	-	-	-	74,019	-	-	74,019	-	-	-	-	-	-	-	-	-	-	74,019
Adjustment arising from changes in equity in investments due to subsidiaries' distribution of bonus to employees or cash capital increase	-	-	-	-	-	-	-	-	-	-	-	(75,863)	(75,863)	-	-	-	-	-	-	(75,863)
Adjustment arising from changes in capital surplus from long-term equity investments	-	-	-	-	-	-	(20,838)	-	(20,838)	-	-	(30,367)	(30,367)	-	-	-	-	-	-	(51,205)
Unrealized gain or loss on cash flow hedging	-	-	-	-	-	-	-	-	-	-	-	-	-	(229,736)	-	-	-	-	-	(229,736)
Net income in 2008	-	-	-	-	-	-	-	-	-	-	-	4,419,433	4,419,433	-	-	-	-	-	1,169,981	5,589,414
Adjustment arising from changes in unrealized gain or loss on subsidiaries' financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(289,241)	-	-	-	-	(289,241)
Unrealized valuation gain or loss on available-for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,405,969)	-	-	-	-	(1,405,969)
Translation adjustments on long-term stock investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,349,784	-	-	-	1,349,784
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(753,570)	-	(753,570)
Effect of change in parent's equity in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,195,220)	(1,195,220)
BALANCE, DECEMBER 31, 2008	2,231,117	$ 22,311,174	$ -	$ 7,608,080	$ 7,641,499	$ 247,956	$ -	$ 10,255,921	$ 25,753,456	$ 5,090,162	$ -	$ 5,407,146	$ 10,497,308	$(250,304)	$(1,038,763)	$ 2,375,674	$ (493)	$ (1,857,643)	$ 16,785,061	$ 74,575,470

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 27, 2009)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	$ 5,589,414	$ 10,545,739
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	6,229,307	3,628,387
Amortization	3,025,624	1,051,169
Provision for bad debts	246,244	271,321
Valuation loss on financial instruments	252,524	38,677
Reversal of loss on decline in inventory value	(309,637)	(53,298)
Loss on disposal of inventories	530,055	210,832
Gain on disposal of investments, net	(406,476)	(762,527)
Loss on disposal of properties and idle assets, net	44,635	148,349
Impairment loss on noncurrent assets held for trading, financial assets available for sale, properties and idle assets	1,360,379	96,620
Investment income (loss) recognized under the equity method	63,519	(86,647)
Cash dividends received from equity-method investees	11,894	7,575
Product warranty reserve	(32,766)	310,747
Accrued pension costs	(72,765)	9,239
Deferred income taxes	(1,069,567)	128,194
Deferred income	70,718	3,092
Net changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	(270,415)	(66,089)
Notes receivable	26,868	40,413
Accounts receivable	14,915,123	571,211
Accounts receivable from related parties	1,389,871	(247,652)
Inventories	9,764,299	684,051
Prepayments	(220,462)	(1,144,596)
Other financial assets - current	818,591	(1,215,062)
Other current assets	(52,658)	2,130,595
Notes payable	(175,807)	477,051
Accounts payable	(16,925,091)	6,901,801
Accounts payable to related parties	(298,584)	(202,551)
Income taxes payable	204,048	(278,760)
Accrued expenses	(82,369)	2,948,333
Advance receipts	(51,487)	(45,626)
Other current liabilities	943,376	(6,257,480)
Other liabilities	314,432	(271,657)
Net cash provided by operating activities	25,832,837	19,571,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds of the sale of available-for sale financial assets	5,077,652	5,077,907
Acquisition of available-for-sale financial assets	(5,770,786)	(3,751,140)
Proceeds of the sale of financial assets carried at cost	-	8,328
Acquisition of financial assets carried at cost	(1,131,933)	(172,378)

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
Acquisition of long-term investments under the equity method	$ (457,784)	$ (59,996)
Proceeds of the sale of long-term investments under the equity method	264,827	-
Proceeds of the sale of noncurrent assets classified as held for sale	414,991	-
Increase in prepayments for long-term investment	-	(497,660)
Acquisition of properties	(15,196,302)	(8,435,070)
Proceeds of the disposal of properties	6,287,694	841,605
Increase in refundable deposits	(17,130)	(922,498)
Increase in deferred charges	(2,668,463)	(1,701,608)
Acquisition of intangible assets	-	(4,275,531)
Increase in land use rights	(24,144)	(313,074)
Proceeds of the sale of land use rights	19,936	-
Cash paid for acquisition of subsidiaries	-	(12,266,644)
Increase in restricted assets	(42,006)	(9,119)
Decrease in other assets	283,235	1,087,797
Net cash used in investing activities	(12,960,213)	(25,389,081)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(6,599,856)	(5,304,601)
Increase in long-term debts	2,965,360	13,085,234
Increase (decrease) in guarantee deposits	(13,519)	23,403
Cash dividends paid	(6,431,638)	(6,984,407)
Capital reduction	-	(8,730,508)
Remuneration to directors and supervisors and bonuses to employees	(240,926)	(330,978)
Cash paid for acquisition of treasury stock	(753,570)	-
Increase (decrease) in minority interest	(608,089)	4,166,982
Net cash used in financing activities	(11,682,238)	(4,074,875)
EFFECTS OF EXCHANGE RATE CHANGES	1,885,117	1,048,200
NET INCREASE (DECREASE) IN CASH	3,075,503	(8,844,305)
CASH, BEGINNING OF YEAR	39,911,949	48,756,254
CASH, END OF YEAR	$42,987,452	$39,911,949
SUPPLEMENTARY CASH FLOW INFORMATION		
Interest paid	$ 2,358,083	$ 1,893,179
Deduct: Capitalized interests	(4,521)	(27,410)
Interest paid (excluding capitalized interests)	$ 2,353,562	$ 1,865,769
Income tax paid	$ 1,364,207	$ 1,902,841

(Continued)

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

	2008	2007
NONCASH INVESTING AND FINANCING ACTIVITIES		
Current portion of long-term debts	$ 1,451,833	$ 2,234,489
Payable of remuneration to directors and supervisors and employees' cash bonuses	$ 167,470	$ 195,508
Conversion of overseas convertible bonds into common stock	$ -	$ 65,192
Issuance of new shares due to a share swap	$ -	$ 4,876,402
CASH PAID FOR ACQUISITION OF PROPERTIES		
Increase in properties	$ 15,129,721	$ 8,444,591
Decrease (increase) in payable for properties	66,581	(9,521)
	$ 15,196,302	$ 8,435,070

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated February 27, 2009) (Concluded)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Lite-On Technology Corporation (the "Parent Company") was established in March 1989. Its shares are traded on the Taiwan Stock Exchange. The Parent Company manufactures and markets (1) computer software, hardware, peripherals and components and (2) monitors, multifunction and all-in-one printers, cameras and Internet systems and image-processing equipment.

The Parent Company merged with Lite-On Electronics, Inc., Silitek Corp. and GVC Corp., with the Parent Company as the survivor entity. The merger took effect on November 4, 2002, and the Parent Company thus assumed all rights and obligations of the three merged companies on that date. The Parent Company issued 1,066,508 thousand common shares to the former shareholders of Lite-On Electronics, Inc., Silitek Corp. and GVC Corp. to effect a share swap at this ratio: 1 Parent Company share for 1.54 shares of Lite-On Electronics, Inc., 1.08 shares of Silitek Corp., and 2.58 shares of GVC Corp. The holders of the newly issued shares have the same rights and obligations as the Parent Company's other common shareholders. The merger was approved by the Ministry of Economic Affairs (MOEA) and relevant authorities.

On July 1, 2003 the Parent Company had spun off the operations, assets, and liabilities of its real estate management department to a establish a subsidiary named Lite-On Real Estate Management Co., Ltd. (LOREM) in accordance with the Business Mergers and Acquisition, Law. The Parent Company exchanged its net operating assets for 100,000 thousand common shares of LOREM at a ratio of NT$36.40745 thousand in net assets for one common share. The spin-off was approved by the MOEA and relevant authorities.

The carrying values of the spin-off assets and liabilities were NT$3,663,340 thousand and NT$22,595 thousand, respectively. Related details are shown as follows:

Land	$ 1,444,035
Construction in progress	2,219,305
Reserve for land value increment tax	(22,595)
Net assets	$ 3,640,745

On February 11, 2004, the board of directors of the Parent Company resolved that the Parent Company merge with its subsidiary - Lite-On Enclosure Inc., which paid the Parent Company NT$49,420 thousand (US$1,498 thousand), in cash. The Parent Company was the survivor entity. The merger was approved by the Taiwan Stock Exchange Parent Company, and the board of directors resolved that the merger take effect on April 1, 2004. The MOEA approved this merger. The Parent Company thus assumed all rights and obligations of the merged company.

As of December 31, 2008 and 2007, the Parent Company and subsidiaries had 58,897 and 68,127 employees, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China. In preparing financial statements in conformity with these guidelines and principles, the Parent Company and its subsidiaries (hereinafter referred to as the "Group") are required to make certain estimates and assumptions that could affect the amount of the allowance for doubtful accounts, provision for losses on inventories, depreciation of properties, pension cost, income tax, product warranty reserve, bonuses to employees, directors and supervisors. Actual results could differ from these estimates.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language financial statements shall prevail.

The Parent Company and its subsidiaries' significant accounting policies are summarized as follows:

Basis for Consolidation

As required by the revised ROC Statement of Financial Accounting Standards No. 7 - "Consolidated Financial Statements," starting from January 2005, consolidated financial statements should include the accounts of the Parent Company and its direct and indirect subsidiaries and other investees over which the Group has controlling influence. All significant intercompany accounts and transactions have been excluded from the consolidation.

Please see Table 3 (attached) for the intercompany relationships and percentages of ownership and Note 9 for the Group's major business activities.

We did not audit the financial statements as of and for the years ended December 31, 2008 and 2007 of Lite-On Technology (Europe) B.V., Lite-On Electronics (Thailand) Co., Ltd., Lite-On Electronics (Europe) Ltd., Lite-On Electronics H.K. Ltd., Lite-On Electronics Co., Ltd., G&W Technology (BVI) Ltd., Fordgood Electronic Ltd., Yet Foundate Ltd., Philips & Lite-On Digital Solutions Europe B.V., Philips & Lite-On Digital Solutions USA Inc., Lite-On Information Technology B.V., Lite-On Information Technology GmbH, Silitech Technology (Europe) Ltd., Lite-On Automotive Electronics (Europe) B.V., Lite-On Automotive (North America) Inc. and Chear Mine Electronic (M) Sdn. Bhd. We did not audit the financial statements as of and for the year ended December 31, 2008 of Lite-On Japan Ltd. and Philips & Lite-On Digital Solutions Germany GmbH. and the financial statements as of and for the year ended December 31, 2007 of Lite-On Technology (Malaysia) Sdn. Bhd., GVC Subic Corp., B.H. Precision Industrial Ltd., Funbo Enterprises Ltd. (HK), Lite-On Sales & Distribution Inc., Lite-On Americas Inc., Lite On (USA) International Inc. and S/G Industries Inc. The financial statements of the aforementioned subsidiaries were audited by other auditors.

In 2008 and 2007, APMCQ Automotive Playback Modules Portugal, Unipessoal LDA, Automotive Playback Modules Services Austria GmbH and Philips & Lite-On Digital Solutions Korea Ltd., JVC Lite-On IT Manufacturing and Sale, Limited and Canfield Ltd.; in 2008, ColorBox (L) Bhd., Maxi Switch Inc., Maxi Switch S.A. de C.V. and Lite-On (USA) International Inc., Lite-On IT Trading (Guangzhou) Ltd. and S/G Industries Inc. each had paid-in capital of less than NT$30,000 thousand; sales of less than NT$50,000 thousand; and a percentage of less than 10% of their parent's (Lite-On IT Corporation and Li Shin International Enterprise Corp.) sales, thus, under certain regulations, these investees' financial statements did not have to be audited by independent auditors. The management of the subsidiaries believe that there would have been no significant adjustments had its investees' financial statements been audited by independent auditors.

Minority interests were 56.46%, 53.27%, 34.77%, 2.00% and 54.95% of shareholdings in Lite-On IT Corporation, Silitech Technology Corp., Ltd., Lite-On Japan Ltd., Lite-On Integrated Services Inc. and Logah Technology Co., Ltd. as of December 31, 2008, which were presented separately in consolidated financial statements. Minority interests were 55.93%, 52.36%, 49.10%, 2.00% and 54.23% of shareholdings in Lite-On IT Corporation, Silitech Technology Corp., Ltd., B.H. Precision Industrial Co., Ltd., Lite-On Integrated Services Inc. and Logah Technology Co., Ltd. as of December 31, 2007, which were presented separately in consolidated financial statements.

Mergers

Mergers are accounted for under the Statement of Financial Accounting Standards No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method." If the Parent Company's payment in cash or other assets exceeds the fair value of the net assets of the dissolved company, the difference is regarded as goodwill. If the market value of equity securities issued in the merger cannot stand for the fair value of the acquired companies' net assets, the fair value of the acquired net assets should be evaluated. The net amount after deducting the par value of equity securities issued in the merger and related costs from the fair value of net assets is included in capital surplus.

Current and Noncurrent Assets and Liabilities

Current assets include cash, financial assets held for trading and other assets consumed or used up within twelve months. Current liabilities include financial liabilities resulting from trading and repaid or settled within 12 months. All other assets and liabilities are classified as noncurrent.

Financial Assets/Liabilities at Fair Value through Profit or Loss

Financial instruments at fair value through profit or loss (FVTPL) include financial assets or liabilities for trading and financial assets and liabilities that were designated at the time of initial recognition as assets or liabilities to be measured at fair value, with changes in fair value to be recognized under earnings. Derivatives are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the derivatives are remeasured at fair value, and the changes in fair value are recognized in current earnings. Cash dividends received are recognized under current earnings. Regular purchase or sale of financial assets is recognized and de-recognized using trading date accounting.

Derivatives that do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. When the fair value of a derivative is a positive amount, the derivative is recognized as a financial asset; when the fair value is a negative amount, the derivative is recognized as a financial liability.

The fair value of stocks listed on the Taiwan Stock Exchange or traded over the counter on the GreTai Securities Market ("GreTai") are their closing prices on the balance sheet date. For open-end funds, fair values are their net asset values on the balance sheet date. For bonds, fair values are the reference prices on GreTai on the balance sheet date. Fair values of financial instruments with no active market are estimated through valuation techniques incorporating estimates and assumptions that are consistent with those used by other market participants.

Revenue Recognition, Accounts Receivable and Allowance for Doubtful Accounts

Sales revenues are recognized when titles to products and material risks of ownerships are transferred to clients, primarily upon shipment, when the earnings process is mostly completed and the profit has been realized or is realizable. Because the ownership and material risk of unprocessed material are not transferred, material for processing is not recognized as sales revenues.

If customers' payments are due a year after a sales transaction is made, revenue is recognized on the basis of the fair value of the transaction price (which includes commercial and volume discounts negotiated with the buyer by the Group) calculated at interest rates for similar transactions. In these transactions, the fair value and maturity value approximate the transaction price.

Allowance for doubtful receivables is provided on the basis of a periodic review of the collectibility of receivables based on aging analysis, credit ratings and economic conditions.

Inventories

Inventories, including materials and supplies, work in process, finished goods and merchandise, are stated at the lower of weighted-average cost or market value. Market value is represented by replacement cost of merchandise, materials and supplies and net realizable value of finished goods and work in process.

Estimation of ending inventories may include the possible influences of the changes in manufacturing technologies, which may result in recognition of losses on the disposal of scrap inventories. Scraps and slow-moving raw materials may also be evaluated on the basis of customers' future demand for the Group's products so that the appropriate provision for losses on inventories can be set up.

Noncurrent Assets Classified as Held for Trading

Effective January 1, 2007, the Group is required to make disclosures based on the newly issued Statement of Financial Accounting Standards (SFAS) No. 38 - "Non-current Assets Classified as Held for Sale and Discontinued Operations." A noncurrent asset is classified as held for sale (HFS) when (a) management is committed to a plan to sell; (b) an active program to locate a buyer is initiated; (c) actions required to complete the plan show that the plan is unlikely to be changed significantly or withdrawn; (d) the asset is available for immediate sale in its present condition subject only to regular sales terms; and (e) the sale is highly probable within one year of classifying an asset as held for sale, with certain exceptions. A noncurrent asset classified as HFS is measured at the lower of its carrying amount or fair value less selling cost. In addition, the asset should not be depreciated and should be presented separately from other assets in the balance sheet.

If there is a difference between the fair value of the noncurrent asset classified as HFS and its book value less selling cost, an impairment loss is recognized in the income statement. If the fair value of the asset recovers, a gain less than or equal to the cumulative impairment loss will be recognized in the income statement.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition. When the assets are subsequently measured at fair value, the changes in fair value are excluded from earnings and reported as a separate component of shareholders' equity. The accumulated gains or losses are recognized as earnings when the financial asset is de-recognized from the balance sheet. A regular purchase or sale of financial assets is recognized and de-recognized using trading date accounting.

The fair value of stocks listed on the Taiwan Stock Exchange or traded over the counter on the GreTai Securities Market ("GreTai") are their closing prices on the balance sheet date. For open-end funds, fair values are their net asset values on the balance sheet date. For bonds, fair values are the reference prices on GreTai on the balance sheet date. Fair values of financial instruments with no active market are estimated through valuation techniques incorporating estimates and assumptions that are consistent with those used by other market participants.

Cash dividends are recognized as investment income on the ex-dividend date but are accounted for as reductions of the original cost of investment if these dividends are declared on the investees' earnings before investment acquisition. Stock dividends are recorded as an increase in the number of shares held and do not affect investment income. After the receipt of stock dividends, the cost per share is recalculated on the basis of the new number of total shares held. For bond securities, the difference between the initially recognized carrying values and maturity values is amortized using the effective interest method. (If the difference is not material, the straight-line method can be used for amortization) and subsequent differences are recognized as gain or loss.)

An impairment loss is recognized on the balance sheet date if there are objective evidences that a financial asset is impaired, and this impairment loss is charged to the net income of the current period. This impairment loss can be reversed to the extent of the original carrying value and recognized as adjustments to shareholders' equity. If the reversible amount of a debt instrument is clearly attributable to an event occurring after the impairment loss was recognized, this amount is recognized as income.

Long-term Equity Investments

Investments in shares of stock of companies in which the Group owns at least 20% of their outstanding common stock or exercises significant influence over their operating and financial policy decisions are accounted for by the equity method. Stock investments accounted for by the equity method are initially carried at cost and subsequently adjusted for the Group's proportionate share in the investees' earnings or losses and changes in capital surplus. Cash dividends received are recognized as a reduction of the carrying value of the investments. Investment income (or loss) is recognized whenever the investees recognize income (or loss). If the equity in losses recognized exceeds the original investment acquisition costs plus any advances given to investees, the excess is recorded as part of other liabilities. But, since 2005, if the equity in losses recognized exceeds the original investment acquisition costs, the Group recognizes its investee's total losses unless other investors commit to and have the ability to assume a portion of the losses. However, when the investees return to profitable operations, the profits should be recognized by the Group totally until its previously recognized losses are covered.

The difference between the cost of the investment and the Group's equity in the investee's net assets when an investment is acquired or when the equity method is first adopted, is amortized over five years. However, effective January 1, 2006, under the revised Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," investment premiums, representing goodwill, are no longer being amortized, but the Group needs to make asset impairment tests regularly or if there are indications that goodwill is probably impaired. If the net fair value of an asset exceeds its investment cost, the excess will be credited to depend on the ratio of noncurrent asset's (not include non-equity-method financial asset, dispose asset waiting for sale, differ tax asset and prepay pension cost or other pension pay) fair value. If the fair value of a noncurrent asset is not enough for crediting purposes, the excess will be recognized as extraordinary gain. In addition, from January 1, 2006 the unamortized portion of the premiums for the investments acquired before 2006 need no longer be amortized, and the accounting treatment for this portion becomes the same as that for goodwill.

If an investee issues additional shares and the Group acquires these shares at a percentage different from its current equity in the investee, the resulting increase in the Group's equity in its investee's net assets is credited to capital surplus. Any decrease in the Group's equity in the investee's net assets is debited to capital surplus. If capital surplus is not enough for debiting purposes, the difference is debited to unappropriated earnings. The equity in the net income or net loss of investees that also have investments in the Group (reciprocal holdings) is computed using the treasury stock method. Upon the disposal of equity-accounted investments, the Group's shares in the capital surplus recognized by the investee Group, if any, will be included in current income in proportion to the investments sold. However, capital surplus from an investee's property disposal is transferred to retained earnings in proportion to the value of the investments sold. If the investee's accounting year is different from the Group's, investment income or loss recognized by the Group is based on its equity on the investee's balance sheet date.

All profits derived from sales of products by the Parent Company to its subsidiaries are deferred but only profit in proportion to the Group's equity interest is deferred for other equity-method investees that are not majority owned. Profit from the sales of products by equity-method investees to the Group is deferred in proportion to the Group's equity interest in the investee and credited against the investment. Profit from sales of products between equity-method investees are deferred to the extent of the Group's equity interests in those investees. The deferred profits are included as part of other liabilities. All of these profits are realized through the subsequent sale of the related products to third parties.

Stock dividends received are recorded only as an increase in the number of shares held but not recognized as investment income. Cost or carrying value per share is recomputed based on total shares after stock dividends are received.

For all stock investments, costs of investments sold are determined using the moving-average method.

Financial Assets Carried at Cost

Investments with no quoted market prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks, are carried at their original cost. The costs of stocks sold are determined using the weighted-average method. If there is objective evidence of investment impairment, a loss is recognized, but a reversal of this impairment loss is not allowed.

The accounting treatment for cash dividends and stock dividends arising from financial assets carried at cost is the same as that for cash and stock dividends arising from available-for-sale financial assets.

Properties and Leased Assets

Properties and leased assets are stated at cost less accumulated depreciation. Major additions, renewals and betterments are capitalized, while maintenance and repairs are charged to current expense.

Assets held under capital leases are initially recognized as assets of the Company at the lower of their fair value at the inception of the lease or the present value of the minimum lease payments; the corresponding liability is included in the balance sheet as obligations under capital leases. The interest included in lease payments is expensed when paid.

Depreciation is computed using the straight-line method over useful lives estimated as follows: buildings, 5 to 60 years; machinery and equipment, 2 to 10 years; molding equipment, 2 to 10 years; transportation equipment, 3 to 10 years; office equipment, 2 to 10 years; miscellaneous equipment, 2 to 10 years; and Leased equipment, 3 to 40 years. Properties that have reached their residual value but are still in use are depreciated over their newly estimated service lives.

Upon revaluation of properties and leased assets, the resulting revaluation increment is recognized as part of the cost of the properties, and a reserve for land value increment tax is included in long-term liabilities, with the difference credited to capital surplus.

Upon sale or other disposal of properties and leased assets, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to nonoperating income or expense.

Intangible Assets

The patent use rights are accounted in acquisition cost and amortized in straight-line method in twelve years.

Goodwill arising from a merger or the difference between the cost of the investment and the Group's equity in the investees' net assets is amortized over five years using the straight line method. Effective January 1, 2006, under the newly revised Statement of Financial Accounting Standards No. 25 - "Business Combinations - Accounting Treatment under the Purchase Method," goodwill is no longer amortized and is assessed for impairment at least annually.

Effective January 1, 2007, the Company adopted the newly released SFAS No. 37, "Accounting for Intangible Assets". Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis if the recognition criteria for intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Land Use Rights

Land use rights are amortized over 50 years.

Idle Assets

The idle fixed assets reclassified to other asset are stated at the lower of carrying value or net realizable value and depreciated in straight line method from January 1, 2006.

Deferred Charges

Deferred charges, consisting of computer software costs, royalty expenditures, issuance costs of bonds and office decoration expenditures are amortized using the straight-line method over periods ranging from 2 to 17 years.

Asset Impairment

An impairment loss should be recognized if the carrying amount of properties, Goodwill, leased assets, idle assets, deferred expenses, equity-method investments exceeds and noncurrent assets classified as held for sale, as of the balance sheet date, their recoverable amount, and this impairment loss should be charged to current income. An impairment loss recognized in prior years can be reversed if there is a subsequent recovery in the estimates used to determine recoverable amount since the last impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the asset carrying amount that would have been determined had no impairment loss on the asset been recognized in prior years. However, reversal of impairment loss on goodwill is not allowed.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Product Warranty Reserve

Estimate of related cost is based on historical experience on product servicing and the warranty period.

Convertible Bonds

The book value of convertible bonds issued before December 31, 2005 is based on issuance prices. The interest-premium on bonds, which is the call price in excess of par value, is recognized as liability by the interest method from the issue date to the expiry date of the call.

When the bondholder exercises the conversion option, the Company uses the book-value approach. The Company will write off the unamortized issuance costs, recognized interest-premium and par value of the convertible bonds. The amount of capital stock is valued as the net carrying amount that is written off, and the amount in excess of the par value of capital stock is recognized as additional paid-in capital.

Pension Costs

The Parent Company and subsidiaries have two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit pension plan, net periodic pension costs are recognized on the basis of actuarial calculations. Under the defined contribution pension plan, the Parent Company, Lite-On IT Corp., Silitech Technology Corp., Li Shi International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp. and Lite-On Automotive Corp. make monthly contributions to employees’ individual pension accounts throughout the employees’ service periods.

If the defined benefit pension plan is revised, the prior service costs are amortized using the straight-line method over the average period from the revision date until the benefits are vested. When the benefits are vested, the prior service costs are immediately recognized as expense.

If the defined benefit pension plan is curtailed or settled, the resulting gains or losses should be recognized as part of the net pension cost for the period.

Defined contribution pension costs of the Parent Company, Lite-On IT Corp., Silitech Technology Corp., Li Shi International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp. and Lite-On Automotive Corp. are recognized on the basis of actuarial calculations. Unrecognized net transition obligations are amortized over 10 to 17 years. Actuarial gain or loss is amortized using the straight-line method over the employees' remaining service years.

Some consolidated subsidiaries, which are mainly in investments, have either very few or even no staff. These subsidiaries have no pension plans and thus do not contribute to pension funds and recognize pension costs. Except for these companies, the consolidated subsidiaries all contribute to pension funds and recognize pension costs based on local government regulations.

Treasury Stock

The Parent Company accounts for the cost of reacquiring its outstanding stock as a deduction to arrive at shareholders' equity.

Upon disposal of the treasury stock, the sales proceeds in excess of the cost are accounted for as capital surplus - treasury stock. If the sales proceeds are less than the cost, the difference is accounted for as a reduction in the remaining balance of capital surplus - treasury stock. If the remaining balance of capital surplus - treasury stock is insufficient to cover the difference, the remainder is recorded as a reduction of retained earnings.

If treasury stock is retired, the weighted-average cost of the retired treasury stock is written off to offset the par value and the capital surplus premium, if any, of the stock retired. If the weighted-average cost written off exceeds the sum of both the par value and the capital surplus premium, the difference is accounted for as either a reduction of capital surplus - treasury stock or a reduction of retained earnings for any deficiency where capital surplus - treasury stock is insufficient to cover the difference. If the weighted-average cost written off is less than the sum of the par value and premium, if any, of the stock retired, the difference is accounted for as an increase in capital surplus - treasury stock of the same type.

Effective January 1, 2002, the Parent Company adopted Statement of Financial Accounting Standards (SFAS) No. 30, "Accounting for Treasury Stocks." SFAS No. 30 requires that the shares of the Parent Company held by subsidiaries should be reclassified from investments in those subsidiaries to treasury stocks. The reclassification amount was based on the carrying value of the subsidiaries' investments in the Parent Company as of January 1, 2002.

Stock-based Compensation

Employee stock option plans with a grant or amendment date on or after January 1, 2004 is accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). Parent and Subsidiaries adopted the intrinsic value method, under which compensation cost is recognized on a straight-line basis over the vesting year.

Income Tax

Inter-period allocation for income tax is applied. Deferred tax assets are recognized for the tax effects of deductible temporary differences, loss carryforwards, investment tax credits, and deferred tax liabilities are recognized for the tax effects of taxable temporary differences. Valuation allowance is provided for deferred income tax assets that are not certain to be realized. Deferred income tax assets or liabilities are classified as current or noncurrent according to the nature of related assets or liabilities for financial reporting. But, if a deferred asset or liability cannot be related to an asset or liability in the financial statements, it is classified as current or noncurrent depending on the expected reversal date of the temporary difference.

Tax credits for certain purchases of equipment or technique, research and development, personnel training, and stock investments can be deducted from the current year's tax expense.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax expense.

Income taxes (10%) on undistributed earnings are recorded as expense in the year the shareholders resolve to retain the earnings.

Translation of Foreign-currency Financial Statements and Foreign-currency Transactions

ROC Statement of Financial Accounting Standards No. 14 - "Accounting for Foreign-currency Translation" applies to foreign subsidiaries that use their local currencies as their functional currencies. The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - year-end rates; shareholders' equity - historical rates; and income and expenses - average rate during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

Foreign currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the spot rates of exchange in effect when the transactions occur.

At year-end, the balances of foreign-currency assets and liabilities ("Balances") which carried at fair value are restated at the prevailing exchange rates, and the resulting differences are recorded as follows: Equity-method stock investments - as cumulative translation adjustments under shareholders' equity; other assets and liabilities - as credits or charges to current income.

At year-end, the balances of foreign-noncurrency assets and liabilities are restated at the prevailing exchange rates, the resulting differences are recognized as current earnings or a separate component of shareholders' equity, and Balances carried at cost are restated at the history rates and recognized as the rate of the trading rate.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of shareholders' equity.

Hedging Derivative Financial Instruments

Hedging derivative financial instruments are measured at fair value. The changes in fair values of these instruments are debited or charged to either shareholders equity or current income depending on the hedged items.

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item if the account meets the conditions of hedge accounting. The hedge accounting is summarized as follows:

a. Fair value hedge: The gain or loss of derivative hedging instrument from changes in book value due to changes in exchange rates is recognized as profit or loss. The gain or loss of the hedged item from hedging is adjusted to its book value and recognized in profit or loss.

b. Cash flow hedge: The gain or loss on hedging instruments is recognized as adjustments to shareholders' equity and as gain or loss on a forecast the transaction affecting gain or loss. If the hedged of a forecast transaction results in the recognition of financial assets or liabilities, the gain or loss recognized directly under shareholders' equity should be reclassified into gain or loss in the same period or periods during which the asset acquired or liability assumed affects gain or loss. When net loss recognized as adjustment to shareholders' equity is deemed irreversible, it will be recognized as loss in the current year.

c. Hedge of a net investment in a foreign operating institution: The gain or loss from hedging instruments is recognized as adjustments to shareholders' equity and recognized as income when disposing the foreign operating institution.

The Parent Group and subsidiaries use hedging to stabilize net interest income or expense and control market value risk. Cash flow hedge is used to reduce interest rate risk, while fair value hedge is used to reduce net present value risk.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2007 have been reclassified to be consistent with the presentation of financial statements as of and for the year ended December 31, 2008.

3. ACCOUNTING CHANGE

Effective January 1, 2008, the Parent Company and subsidiaries adopted Interpretation 2007-052 - "Accounting for Bonuses to Employees, Directors and Supervisors" issued in March 2007 by the Accounting Research and Development Foundation, which requires companies to record bonuses paid to employees, directors and supervisors as expenses rather than as appropriations from earnings. This accounting change resulted in decreases of NT$486,156 thousand in consolidated net income attributed to the Parent Company's shareholders, NT$876,147 thousand in consolidated net income and NT$0.22 in earnings per share (after income tax) for 2008.

4. CASH

	December 31	
	2008	2007
Cash on hand	$ 424,239	$ 384,057
Checking deposits	2,700	3,092
Demand deposits	16,594,419	19,371,072
Time deposits - interest: 0.24%-4.14% in 2008 and 1.71%-5.82% in 2007	25,966,094	20,153,728
	$ 42,987,452	$ 39,911,949

As of December 31, 2008 and 2007, the bank deposits overseas of the Parent Company were as follows:

	December 31 2008	December 31 2007
Czech - Prague (CZK$107,078 thousand in 2008 and CZK$158,819 thousand in 2007)	$ 181,873	$ 285,017
U.S.A. - New York (US$349 thousand in 2008 and 2007)	11,458	11,337
China - Hong Kong (US$1 thousand in 2008 and 2007)	40	48
	$ 193,371	$ 296,402

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

Financial assets or liabilities held for trading are shown as follows:

	December 31 2008	December 31 2007
Financial assets held for trading		
Currency swap contracts	$ 143,026	$ -
Forward contracts	4,925	174
Options-call	1,348	-
Cross-currency swap contracts	-	21,405
	$ 149,299	$ 21,579
Financial liabilities held for trading		
Options-put	$ 93,680	$ -
Currency swap contracts	13,425	495
Forward contracts	6,731	602
Cross-currency swap contracts	-	2,720
	$ 113,836	$ 3,817

The outstanding forward contracts of the Parent Company and subsidiaries as of December 31, 2008 and 2007 are shown as follows:

	Currency	Maturity	Amount (Thousands)
December 31, 2008			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	February 25, 2009	USD165,000/NTD5,445,670
Sell	USD/NTD	January 21, 2009	USD18,000/NTD595,752
Sell	EUR/USD	January 15, 2009	EUR7,000/USD9,822
Leotek Electronics Corp.			
Sell	USD/NTD	January 15, 2009	USD1,000/NTD31,965
Sell	USD/NTD	February 27, 2009	USD1,000/NTD33,385
Sell	USD/NTD	March 30, 2009	USD1,000/NTD33,130

(Continued)

	Currency	Maturity	Amount (Thousands)
Perlos Oyj			
Currency swap contracts	HKD/EUR	February 12, 2009	HKD64,000/EUR6,306
Currency swap contracts	JPY/EUR	February 2, 2009	JPY8,500/EUR70
Currency swap contracts	SEK/EUR	February 12, 2009	SEK6,200/EUR589
Currency swap contracts	SEK/EUR	February 12, 2009	SEK5,000/EUR459
Currency swap contracts	SGD/EUR	February 12, 2009	SGD8,000/EUR4,122
Currency swap contracts	USD/EUR	January 7, 2009	USD8,000/EUR6,172
Currency swap contracts	USD/EUR	January 7, 2009	USD7,500/EUR5,570
Currency swap contracts	USD/EUR	January 22, 2009	USD25,000/EUR17,303
Currency swap contracts	USD/EUR	April 8, 2009	USD20,000/EUR14,730
Sell	JPY/EUR	February 2, 2009	JPY8,500/EUR70
Perlos Ltd.a			
Buy	BRL/EUR	February 19 - March 2, 2009	BRL7,237/EUR2,128
Perlos (Guangzhou) Electronic Components Co., Ltd.			
Buy	JPY/EUR	January 22 - February 20, 2009	JPY200,000/EUR1,594
Sell	USD/EUR	February 19 - April 16, 2009	USD3,000/EUR2,131
Lite-On Japan Ltd.			
Currency swap contracts	JPY/USD	March 20, 2011	JPY284,850/USD2,700
Currency swap contracts	JPY/USD	March 5, 2012	JPY441,870/USD3,900
Call option	JPY/USD	December 21, 2009 - March 5, 2012	JPY868,350/USD7,800
Put option	JPY/USD	December 21, 2009 - March 5, 2012	JPY1,752,750/USD14,400
December 31, 2007			
Lite-On IT Corp.			
Currency swap contracts	USD/NTD	January 30, 2008	USD15,000/NTD486,150
Sell	USD/NTD	January 30, 2008	USD3,000/NTD97,503
Leotek Electronics Corp.			
Sell	USD/NTD	January 10, 2008 - February 1, 2008	USD2,100/NTD67,654
Lite-On Automotive Corp.			
Sell	USD/NTD	January 3, 2008	USD700/NTD22,710
Sell	USD/NTD	January 8, 2008	USD1,000/NTD32,443

(Concluded)

There were no outstanding cross-currency swap contracts as of the subsidiaries as of December 31, 2008. Outstanding cross-currency swap contracts as of December 31, 2007 were as follows:

Contract Amount (in Thousands)	Maturity Date	Range of Rates for Interest Payments	Range of Rates for Interest Income Received
Lite-On IT Corp.			
USD130,000	January 4, 2008-February 19, 2008	5.00%-5.25%	1.56%-2.02%

The subsidiaries entered into derivative contracts during the years ended December 31, 2008 and 2007 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objectives of the subsidiaries were to minimize risks due to changes in fair value or cash flows.

Net loss on derivative financial assets and liabilities as of December 31, 2008 and 2007 were NT$252,524 thousand and NT$38,677 thousand, respectively.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS - CURRENT

	December 31	
	2008	2007
Listed stocks	$ 3	$ 8
Mutual funds	-	7,035
	$ 3	$ 7,043

7. ACCOUNTS RECEIVABLE, NET

	December 31	
	2008	2007
Accounts receivable	$ 33,170,798	$ 48,749,414
Less: Allowance for bad debts	709,749	580,583
	$ 32,461,049	$ 48,168,831

Movements of allowances for doubtful accounts were as follows:

	Years Ended December 31	
	2008	2007
Balance, beginning of year	$ 580,583	$ 755,919
Add: Provision for doubtful accounts	246,244	271,321
Deduct: Amounts written off	117,078	124,081
Deduct: Amount reclassified into the provision for overdue receivables	-	322,576
	$ 709,749	$ 580,583

The Parent Company and its subsidiaries (Lite-On IT Corp., Philips & Lite-On Digital Solutions Corp. and Silitech Technology Corp.) signed accounts receivable factoring contracts with banks. Under these contracts, the risks on the accounts receivable were transferred to the banks.

The unexpired factored accounts receivable as of December 31, 2008 and 2007 were as follows:

Lite-On Technology Corp.

Financial Institution	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2008					
Taishin International Bank	US$ 178,531	US$ 210,158	$ -	Note	US$ 125,000
Taishin International Bank	$ 288,666	$ 362,565	-	Note	$ 1,844,889
Taipei Fubon Bank	US$ 34,629	US$ 34,629	-	Note	US$ 178,000
Bank SinoPac	US$ 27,601	US$ 27,601	-	Note	US$ 8,200
December 31, 2007					
Taipei Fubon Bank	US$ 81,793	US$ 73,613	-	Note	US$ 354,000
China Trust	US$ 52,092	US$ 45,338	-	Note	US$ 105,210
Taishin International Bank	US$ 149,649	US$ 117,693	US$ 27,907	5.707%-5.59%	US$ 146,444
Taishin International Bank	$ 100,057	$ 26,158	$ 66,509	2.67%	$ 1,844,889

Lite-On IT Corp.

Financial Institution	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2007					
Far Eastern International Bank	US$ 8,661	US$ 8,661	$ -	Note	US$ 24,000
Bank SinoPac	US$ 3,117	US$ 2,832	-	Note	US$ 5,500
Bank SinoPac	US$ 3,451	US$ 3,451	-	Note	US$ 10,500

Philips & Lite-On Digital Solutions Corp,

Financial Institution	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2008					
Yuanta Bank	US$ 2,766	US$ 2,659	$ -	Note	US$ 3,000
Ta Chong Bank	US$ 8,067	US$ 8,067	-	Note	US$ 9,000
December 31, 2007					
Yuanta Bank	US$ 2,766	US$ 2,659	-	Note	US$ 3,000
Ta Chong Bank	US$ 8,067	US$ 8,067	-	Note	US$ 9,000
Taishin International Bank	US$ 4,164	US$ 4,164	-	Note	US$ 5,000
Ta Chong Bank	US$ 4,035	US$ 1,255	-	Note	US$ 9,000
Fuhwa Bank	US$ 8,924	US$ 7,987	-	Note	US$ 9,500

Silitech Technology Corp.

Financial Institution	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
December 31, 2008					
City Bank	US$ 19,600	US$ 19,600	$ -	Note	US$ 20,000
	EUR 6,654	EUR 3,206	EUR 3,448	Note	US$ 20,000
December 31, 2007					
City Bank	US$ 16,895	US$ 4,946	US$ 11,949	Note	US$ 20,000

Note: Based on the rate upon advance payment.

8. INVENTORIES, NET

	December 31 2008	December 31 2007
Merchandise	$ 8,454,116	$ 18,578,033
Materials and supplies	4,961,546	5,699,377
Materials in transit	3,049,601	1,963,269
Finished goods	2,500,930	2,783,546
Work in process	1,740,661	1,777,657
	20,706,854	30,801,882
Allowance for decline in value	(1,418,639)	(1,728,276)
Less: Unrealized loss (gain) on intercompany sales	(226,563)	59,487
	$ 19,061,652	$ 29,133,093

9. NONCURRENT ASSETS CLASSIFIED AS HELD FOR TRADING

a. In March 2008, the Parent Company sold its 57.88% equity (24,890,059 shares) in its subsidiary, Cheng Yee Enterprise Limited, to Coxon Precise Industrial Co., Ltd. at US$1.13 per share. This sale will be completed through a series of share transfers, as follows:

Transfer Date	Numbers of Shares for Transfer	Transfer Price (Thousands)
June 30, 2008	8,600,000 shares	US$ 9,718
June 30, 2009	8,600,000 shares	9,718
June 30, 2010	7,690,059 shares	8,690
	24,890,059 shares	US$ 28,126

In the first quarter of 2008, the Parent Company classified the above shares as noncurrent assets held for trading. The fair value of these shares was higher than their book value of NT$796,398 thousand (about US$26,193 thousand), thus, no impairment loss was recognized. As of December 31, 2008, these shares had a book value of NT$559,897 thousand.

b. Lite-On IT Corp. plans to dispose of the idle factory building of the Hsinchu Lising factory within one year from December 2007. The factory building was originally constructed for the Department of CD Driver Operation of Lite-On IT Corp. As of December 31, 2007 Lite-On IT Corp. was negotiating with a probable buyer. In its 2007 financial statements, Lite-On IT Corp. classified the idle factory building as a noncurrent asset held for sale and recognized an impairment loss of NT$24,525 thousand. Lite-On IT Corp. owned the noncurrent assets classified as held for sale with book value NT$177,600 thousand in 2007. The idle factory had been sold in May, 2008.

10. LONG-TERM EQUITY METHOD INVESTMENTS

	December 31			
	2008		2007	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
Long-term stock investments				
Equity method				
Listed				
Lite-On Semiconductor Corp.	$ 1,512,455	20.10	$ 1,739,395	20.33
Jhen Vei Electronics Co., Ltd.	148,531	17.41	147,067	17.27
Lite-On Japan Ltd.	-	-	188,094	34.15
	1,660,986		2,074,556	
Unlisted				
Dragonjet Corporation	1,113,207	29.83	1,088,853	29.83
Auria Solar Co., Ltd.	904,949	23.86	-	-
NPG Display Ltd.	122,777	30.00	106,485	30.00
Payom Solar AG	119,795	20.01	-	-
S/G Industries Inc.	15,853	49.95	15,526	49.95
JVC Lite-On IT Manufacturing and Sales, Limited	15,790	49.00	8,329	49.00
Canfield Ltd.	4,834	33.33	3,937	33.33
Toyo Precision Appliance (Kunshan) Co., Ltd.	-	-	159,051	30.00
Medifiq Healthcare Corp.	-	-	25,375	20.00
	2,297,205		1,407,556	
	$ 3,958,191		$ 3,482,112	

In August 2008, the Group invested NT$347,757 thousand (about JPY1,199,989 thousand) more in Lite-On Japan Ltd.; thus, the Group's total voting shares of Lite-On Japan Ltd. rose to 65.23%, and this investee became a consolidated entity.

On September 14, 2007, the Securities & Exchange Commission permitted Jhen Vei Electronics Co., Ltd. - a subsidiary of Li Shi International Enterprise Corp., a closely held company - to have their shares traded over the counter starting October 12, 2007.

Although Li Shi International Enterprise Corp. ("Li Shi") held less than 20% of the total voting shares of Jhen Vei Electronics Co., Ltd. ("Jhen Vei") as of December 31, 2007, Li Shi's holding was still significantly higher than that of any other shareholder and was thus deemed to have significant influence over Jhen Vei's. As a result, Li Shi used the equity method to account for its investment in Jhen Vei.

Lite-On IT Corp. held shares of JVC Lite-On IT Manufacturing and Sales, Limited (JVC), Li Shi held shares of Canfield Ltd. ("Canfield"), and Silitech held shares of S/G Industries Inc. Since neither JVC, Canfield nor S/G had paid-in capital of at least NT$30,000 each, sales of at least NT$50,000 each, and sales of at least 10% of their respective parents' sales, their financial statements did not have to be audited by independent auditors, as stated in certain guidelines. The management of Lite-On IT Corp., Li Shi and Silitech believed that no significant adjustments would have been required had the financial statements been audited by independent auditors.

The Parent Company's auditors did not audit the financial statements (a) as of and for the years ended December 31, 2008 and 2007 of NPG Display Ltd., DIODES, INC and Dynacard Co., Ltd. (b) as of and for the year ended December 31, 2008 of Auria Solar Co., Ltd. and Payom Solar AG. (c) as of and for the year ended December 31, 2007 of Lite-On Japan Ltd. and Medifiq Healthcare Corporation. The financial statements of the above mentioned investees accounted for by the equity method were audited by other auditors.

The book value of long-term equity method investments mentioned above that were audited by other auditors were NT$1,688,023 thousand and NT$908,758 thousand as of the years ended December 31, 2008 and 2007; the net investment income recognized were NT$32,625 thousand in 2008 and NT$51,744 thousand in 2007.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NONCURRENT

	December 31	
	2008	2007
Domestic listed stocks	$ 1,031,116	$ 1,611,346
Mutual funds	802,704	1,135,952
Foreign listed stocks	1,028	5,808
	$ 1,834,848	$ 2,753,106

Some of the Group's available-for-sale financial assets in 2007 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2008	2007
Hannstar Display Corp.	$ -	$ 28,015

12. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	December 31	
	2008	2007
Domestic and Overseas unquoted common stocks	$ 1,414,498	$ 589,776
Overseas unquoted preferred stocks	185,111	104,786
Emerging market stocks	410,573	231,858
	$ 2,010,182	$ 926,420

As a result of the absence of market price from active market as well as the fair value cannot be reasonably estimate, the above stocks and funds held by the Parent Company and its subsidiaries are valued based on their purchase price.

Some of the Group's financial assets carried at cost - noncurrent in 2008 and 2007 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2008	2007
Northern Lights Semiconductor Corporation	$ 39,522	$ -
Progressive Optoelectronic Technology Co., Ltd.	6,040	10,625
Fong Han Electronic Co., Ltd.	5,833	-
Starbex International Inc.	-	29,989
	$ 51,395	$ 40,614

13. PROPERTIES

Accumulated depreciation consisted of the following:

	December 31	
	2008	2007
Machinery and equipment	$ 14,252,280	$ 13,980,718
Buildings	3,904,942	3,202,448
Office equipment	2,217,018	2,172,730
Leased equipment	785,726	612,343
Transportation equipment	77,525	95,438
Miscellaneous equipment	1,855,608	1,788,693
	$ 23,093,099	$ 21,852,370

Depreciation expenses were NT$6,228,287 thousand in 2008 and NT$3,625,346 thousand in 2007, respectively.

Some of the Group's properties in 2008 and 2007 were impaired. Thus, impairment losses were recognized as follows:

	December 31	
	2008	2007
Perlos Precision Plastics Moulding Limited Liability Company	$ 1,019,331	$ -
Lite-On IT Corp.	108,855	-
Lite-On Electronic Tianjin Co., Ltd.	9,721	-
The Parent Company	3,380	2,743
	$ 1,141,287	$ 2,743

14. INTANGIBLE ASSETS

On April 10, 2006, Lite-On IT Corporation ("LOITC") and Qisda Corp. ("Qisda") signed a contract, under which LOITC will obtain Qisda's subcontract and manufacturing business on optical storage devices, including related authorization on product manufacturing, technology, technology acquisition, patent rights, etc. for NT$1,226,855 thousand plus 13% equity in LOITC. This acquisition was in line with LOITC's long-term strategic relationship with Qisda to expand production scale and promote market share.

In their special meeting on November 15, 2007, however, LOITC's shareholders approved the board of directors' proposal of August 27, 2007 to cancel the plan to use LOITC's shares to make the payment and to negotiate instead with Qisda for a new payment mode (i.e., wholly pay in cash) and schedule. LOITC thus paid cash for its acquisition at these amounts: NT$2,695,878 thousand, recorded under intangible assets - patent rights; and NT$2,806,508 thousand, recorded under goodwill.

As of December 31, 2008 and 2007, the amortization expenses for patent rights were NT$561,641 thousand and NT$336,985 thousand, respectively.

At the end of the years 2008 and 2007, the differences between the acquisition costs hat the Parent Company invested in the subsidiaries and the Company's proportionate share in the investee's equity are listed as follows:

	December 31	
	2008	**2007**
Perlos Oyj and its subsidiaries	$ 8,709,334	$ 8,566,892
Li Shin International Enterprise Corp.	1,708,258	1,708,258
Philips & Lite-On Digital Solutions Germany GmbH.	456,671	460,920
Lite-On Automotive Corp.	312,069	312,069
Leotek Electronics Corp.	215,349	215,349
Others	193,150	231,776

From January 1, 2006, based on the revised of the Statement of Financial Accounting Standards No. 5 - "Long-term Investments in Equity Securities," goodwill should no longer be amortized but should be tested for impairment at regular intervals every year. For this test, the recoverable amount should be evaluated by the value in use of the tangible and intangible assets of the Parent Company and the subsidiaries' optical storage devices, and the project cash flows during the period of the expected use of these devices should be considered. Some factors to consider in assessing value in use are past operating performance, future profit situation under normal operation, operating strategies, industrial development goals on CD-ROM drives, market prospects, etc. Net cash input and the number of residual assets should be estimated, and the value in use of these assets should be calculated net of their weighted average capital cost. If the book value of the assets exceeds value in use, impairment loss is recognized.

15. OTHER ASSETS

a. Leased assets, net

Lite-On Japan Ltd., Leotek Electronics Corp. and Li Shin International Enterprise leased out their land, buildings and office equipment as follows:

	December 31	
	2008	**2007**
Cost		
Buildings	$ 119,104	$ 48,320
Land	41,884	36,063
Office equipment	3,160	3,160
	164,148	87,543
Less: Accumulated depreciation	24,275	7,922
Accumulated impairment losses	5,210	-
	$ 134,663	$ 79,621

b. Idle assets, net

	December 31	
	2008	2007
Cost		
Machinery and equipment	$ 1,265,930	$ 94,297
Buildings	601,601	26,052
Other equipment	156,264	207,613
Office equipment	80,563	2,154
Transportation equipment	4,612	750
Land	-	5,821
	2,108,970	336,687
Less: Accumulated impairment losses	230,958	24,742
Accumulated depreciation	1,162,411	249,292
	$ 715,601	$ 62,653

The change in accumulated impairment losses was as follows:

	2008	2007
Balance, beginning of year	$ 24,742	$ -
Impairment losses	167,697	723
Reclassification	38,519	24,019
Balance, end of year	$ 230,958	$ 24,742

16. SHORT-TERM BANK LOANS

	December 31	
	2008	2007
Unsecured bank loans - interest: 2.00%-15.80% in 2008 and 4.66%-18.00% in 2007	$ 6,531,252	$ 13,103,834

17. LONG-TERM DEBTS (INCLUDING CURRENT PORTION)

	Due Within One Year	Due After One Year	Total
December 31, 2008			
Long-term loans payable - bank	$ 1,233,789	$ 17,913,195	$ 19,146,984
Overseas unsecured bonds	131,004	2,083,363	2,214,367
Long-term capital lease liabilities	113,950	619,075	733,025
	$ 1,478,743	$ 20,615,633	$ 22,094,376
December 31, 2007			
Long-term loans payable - bank	$ 604,933	$ 14,620,780	$ 15,225,713
Overseas unsecured bonds	-	2,140,772	2,140,772
Secured bonds	1,600,000	-	1,600,000
Long-term capital lease liabilities	29,556	29,034	58,590
	$ 2,234,489	$ 16,790,586	$ 19,025,075

a. Long-term bank loans payable-bank

	December 31 2008	December 31 2007
Parent Company		
Chinatrust Commercial Bank - two-year medium-term loan effective August 29, 2007; 5.1057% interest; principal repayable on maturity.	$ -	$ 3,406,516
Taishin International Bank - two-year medium-term loan effective August 29, 2007; 2.68% interest; principal repayable on maturity.	-	2,320,000
Land Bank of Taiwan - two-year medium-term loan effective October 29, 2007; 2.67% interest; principal repayable on maturity.	-	700,000
The Hongkong and Shanghai Banking Corp. Ltd. - two-year medium-term loan effective October 29, 2007; 2.48% interest; principal repayable on maturity.	-	800,000
Far Eastern International Bank - two-year medium-term loan effective October 29, 2007; 2.67% interest; principal repayable on maturity.	-	950,000
Taipei Fubon Commercial Bank Co., Ltd. - two-year medium-term loan effective October 29, 2007; 2.75687% interest; principal repayable on maturity.	-	1,600,000
First Commercial Bank - two-year medium-term loan effective October 29, 2007; 2.77% interest; principal repayable on maturity.	-	1,000,000
DBS Bank Ltd. - two-year medium-term loan effective October 29, 2007; 2.81% interest; principal repayable on maturity.	-	1,600,000
Industrial Bank of Taiwan - two-year medium-term loan effective October 31, 2007; 2.7653% interest; principal repayable on maturity.	-	1,000,000
Citi Bank, Chinatrust, Taipei Fubon Bank, Taishin International Bank, Taiwan Landbank, Taiwan Cooperative Bank, Bank SinoPac, Mega International Commercial Bank, Chang Hwa Bank, Standard Chartered, First Bank, Yuanta Bank, Bank of Taiwan, Entie Commercial Bank, Agribank, and Sumitomo Mitsui Banking Corporation - five-year medium and long term syndicated loan effective September. 23, 2008 with NT$12 billion (loan A) and cyclic mid-term loan with NT$3 billion (loan B); start from 3 years after the contract date; loan A payment repaid in 5 installment and each one installment for half a year; 2.929% interest in 3-month floating rate; the amount of loan B repaid in 5 installment and each one installment for half a year; 2.805%-2.865% interest in 3-month floating rate.	14,300,000	-
Taiwan Corporation Bank - five-year medium-term loan effective July 31, 2008; interests repayable for each month at the first and second year, principal amortized quartely from the third year, followed by 12 equal repayments, annual rate is 2.61%; floating rate interests	2,000,000	-
Silitech Technology Corporation		
Citibank Taiwan Ltd. - long-term loans; terms from June 7, 2007 to June 7, 2010; principal amortized semiannually, with first and second repayments of US$3,000 thousand each, followed by five equal payments of US$2,800 thousand; 6.3425% annual interest.	111,724	291,987

(Continued)

	December 31 2008	December 31 2007
Silitech Technology Corp. Sdn. Bhd.		
RHB Bank Berhad - medium-term loan of MYR6,000 thousand; 5.5% fixed interest; repayable every six months from January 25, 2006 to July 25, 2008 at six installments of MYR1,000 thousand each.	$ -	$ 19,596
Silitech Technology (Su Zhou) Co., Ltd.		
Citibank Taiwan Ltd. - medium and long term loans; terms from September 25, 2007 to September 25, 2011; principal amortized semiannually and repaid at both US$2,700 thousand and RMB24,900 thousand for each of the first 2 installments, followed by five equal repayments of both US$2,520 thousand and RMB23,240 thousand; 5.67%-6.723% interest.	1,181,504	1,321,174
Li Shin International Enterprise Corp.		
China Development Industrial Bank Inc. - medium and long term loans; principal repayable on August 10, 2008; 2.829% annual interest.	-	200,000
Leotek Electronics Corp.		
Taiwan Business Bank (Development Project Credit Loan of Industrial Development Bureau Ministry of Economic Affairs), effective July 2006; principal amortized monthly and repayable at 18 equal installments; 1.00% annual interest rate.	10,960	16,440
Lite-On Japan Ltd.		
Sumitomo Mitsui Banking Corporation - medium- and long-term loans; terms from March 19, 2004 to November 30, 2009; 1.52%-1.77% interest.	41,848	-
Shoko Chukin Bank - medium- and long-term loans; terms from March 31, 2006 to July 31, 2022; 1.05%-1.49% interest.	150,000	-
Nippon Life Insurance Company- medium- and long-term loans; terms from October 31, 2005 to October 29, 2010; 1% annual interest.	43,668	-
Iyo Bank - medium- and long-term loans; terms from November 30, 2007 to November 30, 2010; 1.48% annual interest.	72,780	-
Nagoya Bank - medium- and long-term loans; terms from March 21, 2008 to March 31, 2011; 1.45% annual interest.	81,877	-
Yokohama Bank - medium- and long-term loans; terms from March 31, 2005 to February 28, 2011; 1.20%-1.42% annual interest.	104,621	-
Shizuoka Bank - medium- and long-term loans; terms from August 25, 2005 to August 25, 2010; 1.00%-1.48% annual interest.	62,955	-
Chiba Bank - medium- and long-term loans; terms from August 31, 2005 to March 31, 2011; 1.10%-1.50% annual interest.	112,809	-
San-in Godo Bank - medium- and long-term loans; terms from March 20, 2006 to September 30, 2010; 1.09%-1.50% annual interest.	66,230	-

(Continued)

	December 31	
	2008	2007
Sumitomo Trust & Banking Co., Ltd. - medium- and long-term loans; terms from February 20, 2007 to January 29, 2010; 1.42% annual interest.	$ 54,585	$ -
114 Bank - medium- and long-term loans; terms from May 25, 2007 to March 31, 2011; 1.40%-1.45% annual interest.	65,866	-
Daisan Bank - medium- and long-term loans; terms from March 31, 2008 to March 31, 2010; 1.50% annual interest.	54,585	-
Oita Bank - medium- and long-term loans; terms from March 31, 2008 to March 31, 2011; 1.41% annual interest.	109,170	-
Tokyo-Mitsubishi Bank - medium- and long-term loans; terms from September 25, 2007 to September 14, 2010; 5.68% annual interest.	99,028	-
UFJ Bank - medium- and long-term loans; terms from August 31, 2005 to July 28, 2011; 1.035%-1.590% annual interest.	69,869	-
JIBIC Bank - medium- and long-term loans; terms from August 18, 2006 to July 5, 2014; 1.25%-1.60% annual interest.	140,102	-
Risonar Bank - medium- and long-term loans; terms from February 4, 2008 to January 31, 2013; 1.48% annual interest.	154,657	-
Mizuho Bank- medium- and long-term loans; terms from March 7, 2007 to March 20, 2014; 1.35%-1.75% annual interest.	56,810	-
Shofo International Corporation		
Oita Bank - medium- and long-term loans; terms from August 24, 2007 to August 5, 2012; 2.10% annual interest.	1,336	-
	19,146,984	15,225,713
Less: Current portion of long-term loans payable	(1,233,789)	(604,933)
	$ 17,913,195	$ 14,620,780

(Concluded)

b. Secured bonds

	December 31	
	2008	2007
Issuer: Parent Company		
Issued in September 2003; aggregate face value of NT$4,000,000 thousand; 14 types: A to N; (types A, B and D amounting to NT$400,000 thousand each; C, G, J, L and N, NT$200,000 thousand each; and E, F, H, I, K and M, NT$300,000 thousand each); repayable through lump sum payment on their maturity in five years; 0%-3.05% nominal interest (calculated at the target interest rate of six months' LIBOR on the issue date), to be adjusted at the target interest rate semiannually and payable annually after one year of the issue date; and redemption at 30%, 30% and 40% amount of the secured bonds in September of 2006, 2007 and 2008, respectively.	$ -	$ 1,600,000
Less: Current portion of secured bonds payable	-	(1,600,000)
	$ -	$ -

c. Overseas unsecured bonds

	December 31	
	2008	2007
Issuer: Perlos Oyj		
Bond Perlos I, issued through the Nordea Bank; maturity on October 3, 2010; aggregate face value of EUR30,000 thousand; 4.76% nominal interest rate.	$ 1,388,662	$ 1,427,181
Bond Perlos II - issued through the Skandinaviska Enskilda Banken AB; on January 4, 2010; aggregate face value of EUR15,000 thousand; 4.53% nominal interest rate.	694,701	713,591
Issuer: Lite-On Japan Ltd.		
Bond LOJ I, issued through the Tokyo-Mitsubishi Bank; maturity on March 31, 2009; aggregate face value of JPY 30,000 thousand; 1.005% nominal interest rate.	10,917	-
Bond LOJ II, issued through the Tokyo-Mitsubishi Bank; maturity on March 31, 2009; aggregate face value of JPY 300,000 thousand; 1.010% nominal interest rate.	109,170	-
Bond LOJ III, issued through the Mizuho Bank; maturity on March 31, 2009; aggregate face value of JPY 30,000 thousand; 0.720% nominal interest rate.	10,917	-
	2,214,367	2,140,772
Less: Current portion of overseas convertible bonds payable	131,004	-
	$ 2,083,363	$ 2,140,772

d. Long-term capital lease liabilities

	2008	2007
Lite-On (Guang Zhou) Infortech Ltd.		
Four-year capital lease of machinery and equipment (M&E) for four years from June 15, 2006 to November 29, 2011; 6.65% -11.30% interest rate; at lease-end, Lite-On (Guang Zhou) Infortech Ltd. to buy M&E at a bargain purchase price.	$ 36,286	$ 58,590
Perlos Oyj		
Capital lease between two to four and one half years of machinery and equipment (M&E) from May 1, 2004 to June 30, 2011; 3.47% - 5% interest rate.	9,959	-
Perlos (Guangzhou) Engineering Plastics Co. Ltd.		
Capital lease between three to ten years of building and office equipment from May 5, 2000 to April 5, 2010; 4.61%-17.95% interest rate; at lease-end, Perlos (Guangzhou) Engineering Plastics Co. Ltd. to buy office equipment at a bargain purchase price.	43,451	-

(Continued)

	December 31	
	2008	2007
Perlos (Guangzhou) Electronic Components Co. Ltd.		
Ten-year capital lease of building from January 1, 2007 to December 5, 2016; 7.11% interest rate.	$ 484,813	$ -
Perlos (Beijing) Electronic and Telecommunication Components		
Thirteen -year capital lease of building from April 17, 2000 to December 31, 2012; 4.24% interest rate; at lease-end, Perlos (Beijing) Electronic and Telecommunication Components to buy the building at a bargain purchase price.	150,966	-
Perlos AB.		
Capital lease between two to four years of machinery and equipment (M&E) from October 15, 2005 to July 15, 2012; 2.80%-12.80% interest rate.	3,567	-
Perlos Telecommunication and Electronic Components (India) Priuate Ltd.		
Capital lease between two to four years of machinery and equipment (M&E) from October 15, 2005 to July 15, 2012; 2.80%-12.80% interest rate.	2,177	-
Perlos Precision Molds (Schenzen) Co., Ltd.		
Capital lease between two to four years of machinery and equipment (M&E) from October 15, 2005 to July 15, 2012; 2.80%-12.80% interest rate.	1,806	-
	733,025	58,590
Less: Current portion of long-term capital lease liabilities	(113,950)	(29,556)
	$ 619,075	$ 29,034

(Concluded)

e. On September 23, 2008, the Parent Company signed the contract for a five-year syndicated loan with Citi Bank, Chinatrust, Taipei Fubon Bank, Taishin International Bank, Taiwan Landbank, Taiwan Cooperative Bank, Bank SinoPac, Mega International Commercial Bank, Chang Hwa Bank, Standard Chartered, First Bank, Yuanta Bank, Bank of Taiwan, Entie Commercial Bank, Agribank, and Sumitomo Mitsui Banking Corporation. The contract includes medium- and long-term loans of NT$12 billion (Loan A) and a revolving medium-term loan with NT$3 billion (Loan B). Under this contract, the Parent Company's most recent semiannual or annual consolidated financial statements should show that the Parent Company meets these requirements: (1) The current ratio should not be below 100%; (2) the debt ratio adjusted on cash basis (the ratio of total liabilities plus contingent liabilities minus total cash and cash equivalents, and tangible equity) should not be above 150%; (3) the interest coverage ratio should not be below 400%; and (4) the tangible equity (total equity, including minority interest, minus intangible assets) should not be less than NT$45 billion. As of December 31, 2008, the Parent Company had used the entire amount of Loan A and NT$2.3 billion of Loan B.

f. On September 7, 2004, the Parent Company issued overseas unsecured convertible bonds amounted to US$225,000 thousand listed on Singapore Exchange Securities Trading Limited and the nominal interest rate of the bond is zero and its maturity in 5 years. The bondholders shall have the right to require the Parent Company to redeem the bond at par value on September 7, 2006 according to the contract. Besides, the bondholders shall have the right to convert the bonds into common stock between October 7, 2004 and August 28, 2009. The initial price at which the shares shall be issued and delivered upon conversion is NT$39.36 per share, with a fixed exchange rate of NT$33.982=US$1.00. However, based on the contract, the conversion price may be adjusted. Unconverted bonds will be repayable through lump sum payment on its maturity on September 7, 2009. According to the contract, when the bondholders or the Parent Company conforms to certain conditions, the bondholders have the right to require the Parent Company to redeem the bonds and the Parent Company also has the right to redeem the bonds. As of December 31, 2008, bonds amounting to NT$7,329,187 thousand (about to US$225,000 thousand) had been converted into advance receipts for 215,959 thousand common shares.

g. In September 2003, the Parent Company issued secured bonds with an aggregate face value of NT$4,000,000 thousand. When the Parent Company issued these bonds, a covenant on financial ratio based on consolidated financial statements was made with the banks, as follows: Upper limit of 125% for the ratio of total liabilities minus cash to tangible assets, and the lower limit of 100% for current ratio, 300% for interest coverage ratio, and NT$35,000,000 thousand as the lower limit for tangible assets.

h. Perlos Oyj and its subsidiary leased building, machinery and equipment under capital leases. The terms of these leases were between 2 and 10 years. When the lease terms end, the building, machinery and equipment can be bought at a bargain purchase price. The cost of capital leases is stated at the lower of the present value of future rents or the leased asset market value at the start of the lease. The two companies recognize liabilities on these long-term capital leases.

18. PENSION PLAN

The Parent Company, Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shi International Enterprise Corp., Leotek Electronics Corp. and Logah Technology Co., Ltd. have pension plans for all regular employees, which provide benefits based on length of service and average basic pay for the 6 months before retirement.

The Parent Company, Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shi International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp. and Philips & Lite-On Digital Solutions Corp, contribute monthly an amount equal to 3%, 2.5%, 2%, 4%, 2%, 2% and 3% of salaries and wages to a pension fund, respectively, which is administered by the employees’ pension fund committee and deposited in the Bank of Taiwan (the Central Trust of China merged with the Bank of Taiwan in July 2007, with the Bank of Taiwan as the survivor entity) in the committee’s name.

The Labor Pension Act (the “Act”) took effect on July 1, 2005. The Group’s employees subject to the Labor Standards Law before July 1, 2005 were allowed to choose to continue to be subject to the Labor Standards Law or to be subject to the pension mechanism under this Act, with their service years accumulated until June 30, 2005 to be retained. Those hired on or after July 1, 2005 automatically become subject to the Act.

Based on the Act, the rate of monthly contributions by the Parent Company and subsidiaries - Lite-On IT Corp., Silitech Technology Corp., Lite-On Automotive Corp., Li Shi International Enterprise Corp., Logah Technology Co., Ltd., Leotek Electronics Corp., and Lite-On Integrated Services Inc. and Philips & Lite-On Digital Solutions Corp. to employees’ individual pension accounts is at 6% of monthly wages and salaries. For these contributions, the Parent Company and subsidiaries recognized a pension cost of NT$314,694 thousand and NT$232,614 thousand in 2008 and 2007.

Some consolidated entities, which are mainly in investments, have either very few or even no staff. These companies have no pension plans and thus do not contribute to pension funds and do not recognize pension costs.

Except for these companies, the remaining companies all contribute to pension funds and recognize pension costs based on local government regulations. The pension expenses recognized for 2008 and 2007 are NT$600,866 thousand and NT$346,895 thousand.

Other information on the defined benefit plan is summarized as follows:

	December 31	
	2008	**2007**
a. Components of net pension costs:		
Service cost	$ 24,531	$ 86,462
Interest cost	27,251	31,264
Expected return on plan assets	(27,580)	(25,512)
Loss on plan assets	-	(51,908)
Curtailment gain	(24,935)	-
Amortization	(4,446)	(12,254)
Net pension costs	$ (5,179)	$ 28,052
b. Reconciliation of the fund status of the plan and accrued pension cost:		
Benefit obligation		
Vested benefit obligation	$ (97,894)	$ (109,313)
Non-vested benefit obligation	(536,004)	(616,646)
Accumulated benefit obligation	(633,898)	(725,959)
Additional benefits based on future salaries	(336,114)	(321,162)
Projected benefit obligation	(970,012)	(1,047,121)
Fair value of plan assets	1,028,933	992,768
Funded status	58,921	(54,353)
Unrecognized net transition obligation	20,001	25,933
Unrecognized net gain	-	8,097
Non-amortized net gain	(254,246)	(229,592)
Contribution of accrued pension cost	(1,826)	-
Accrued pension cost	$ (177,150)	$ (249,915)
Vested benefit	$ 111,522	$ 124,433
c. Actuarial assumptions:		
Discount rate used in determining present values	2.25%-3.25%	2.50%-3.00%
Future salary increase rate	2.50%-3.50%	2.50%-3.75%
Expected rate of return on plan assets	2.25%-3.40%	2.75%-3.00%
d. Contributions to the fund	$ 34,511	$ 50,835
e. Payments from the fund	$ 36,980	$ 50,664

19. SHAREHOLDERS' EQUITY

On September 25, 1996, the Parent Company issued 4,900 thousand units of global depositary receipts (GDRs) on the London Stock Exchange. These GDRs represented 49,000 thousand common shares of the Parent Company.

On April 3, 1995, GVC Corp. issued 5,000 units of GDRs on the London Stock Exchange. These GDRs represented 25,000 thousand common shares of GVC Corp, which were assumed by the Parent Company as a result of a merger. As of November 4, 2002, the outstanding GDRs were 7,627 thousand units, or 38,136 thousand common shares of GVC Corp. For merger purposes, these GDRs were exchanged for the Parent Company's 1,478 thousand marketable equity securities, which represent 14,781 thousand common shares of the Parent Company.

As of December 31, 2008, the outstanding marketable equity securities were 5,157 thousand units, representing 51,574 thousand common shares of the Parent Company. The rights and obligation of security holders are the same as those of common shareholders, except for voting rights. As of December 31, 2008, the unredeemed GDRs amounted to 4,507 thousand units.

In order to increase the return on equity and prevent the capital from idle. The Parent Company resolved to reduce the capital amount NT$8,730,508 thousand and eliminate 873,050 thousand shares of the Parent Company in the temporary shareholders' meeting on January 11, 2007. Every share refunded NT$3 in cash and the capital reducing rate is 30%. After reducing, the paid-in capital was NT$20,371,186 thousand. As of December 31, 2008, the payable due to the capital reducing described above had been fully paid. The Parent Company set May 22, 2007 as the capital reducing effective date and had registered the change to the Ministry of Economic Affairs.

Employee Stock Option Plans

In December 2007, there was a grant of 30,000 options to qualified employees of the Parent Company and its subsidiaries. Each option entitles the holder to subscribe for one thousand common shares of the Parent Company when exercisable. The options granted are valid for 6 years and exercisable at certain percentages after the second, the third, and the fourth anniversary year from the grant date. The options were granted at an exercise price equal to the closing price of the Parent Company's common shares listed on the TSEC on the grant date. For distributing cash dividends and stock dividends, and reducing capitals (besides writing off treasury stocks), the exercise price and the number of options are adjusted accordingly.

Other information on the employee stock option plans is as follows:

	Year Ended December 31, 2008	
	Number of Options	Weighted-average Exercise Price (NT$)
Balance, beginning of year	30,000	$46.6
Options granted	-	
Balance, end of year	30,000	
Options exercisable, end of year	-	
Weighted-average fair value of options granted in thousand	$ 16.964	

The weighted-average remaining life of the outstanding and exercisable options as of December 31, 2008 was 5 years.

Compensation cost recognized under the intrinsic value method was NT$0 thousand and for the year ended December 31, 2008, respectively. Had the Parent Company recognized compensation cost based on the fair value method using the Binomial option pricing model, the assumption and pro forma result of the Parent Company for the years ended December 31, 2008 would have been as follows:

	Year Ended December 31, 2008
Assumptions	
Risk-free interest rate	2.5101%
Expected life	5 year
Expected volatility	40.07%
Expected dividend yield	7.07%
Net income	
As reported	$ 4,419,433 thousands
Pro forma	$ 4,217,985 thousands
Basic after income tax earnings per share (NT$)	
As reported	$2,01
Pro forma	$1.92
Diluted after income tax earnings per share (NT$)	
As reported	$2.00
Pro forma	$1.91

Capital Surplus

Under the Company Law, capital surplus from long-term investments under the equity method may not be used for any purpose. Otherwise, the capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (additional paid-in capital from issuance of common shares, conversion of bonds, capital surplus from merger, and treasury stock transactions) can be capitalized, which however is limited to a certain percentage of the Parent Company's paid-in capital.

Appropriation of Earnings and Dividend Policy

The Parent Company's Articles of Incorporation provide that the annual net income, less any deficit and 10% legal reserve as well as special reserve equal to the debit balances of the shareholders' equity accounts, together with the distributable unappropriated earnings of prior years, can be retained partially on the basis of operating requirements. The remainder should be distributed as follows:

a. Bonus to employees: Not below 10%.
b. Remuneration to directors: Not above 1.5%
c. Others are dividends

If the bonus to employees described above is share bonus, it may be distributed to the employees of subsidiaries of the Parent Company. The requirements and the method of distribution of these share bonuses are resolved by the board of directors as authorized.

The bonus to employees and remuneration to directors recognized for 2008 were estimated on the basis of past appropriation experience at 15% and 1%, respectively, of the estimated appropriations from prior year's earnings. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by shareholders differ from the proposed amounts, the differences are recorded in the year of the shareholders' resolution as a change in accounting estimate. If stock bonuses are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonuses by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting.

These appropriations should be resolved by the shareholders in the following year and given effect in the financial statements of that year.

On June 25, 2008 and June 21, 2007, the shareholders resolved the appropriation of earnings and dividend per share in 2007 and 2006 as follows:

	Appropriation of Earnings		Dividend Per Share (Dollars)	
	2007	2006	2007	2006
Legal reserve	$ 843,949	$ 828,804	$ -	$ -
Reversal of special reserve	-	(399,837)	-	-
Stock dividends	109,011	145,508	0.05	0.05
Cash dividends	6,431,638	6,984,407	2.95	2.40
Bonus to employees - stock	400,000	400,000	-	-
Bonus to employees - cash	334,905	405,640	-	-
Remuneration to directors and supervisors	73,491	120,846	-	-

The appropriation of earnings for 2007 were approved by the Financial Supervisory Commission, Executive Yuan, R.O.C., and then the board of directors resolved the date of distributing stock dividends and cash dividends as August 16, 2008.

As of February 27, 2009, the auditors' report date, the Parent Company's board of directors had not decided the appropriation of the 2008 earnings. Related information may be accessed through the Market Observation Post System through the Web site of the Taiwan Stock Exchange.

Under the regulations of the Securities and Futures Bureau, the Parent Company should appropriate a special reserve equivalent to the debit balances, as of the balance sheet date, in the shareholders' equity account, except for treasury stock and deficit. The special reserve will be distributable when the debit balances in the shareholders' equity are reversed.

According to the regulations of Securities and Futures Bureau, Financial Supervisory Commission, Executive Yuan, R.O.C. the companies listed on the Taiwan Stock Exchange Corporation (TSEC) and the GreTai Securities Market (GTSM) should contribute the special reserve on the basis of the proportionate share as the same as the difference between market value and book value of the subsidiaries holding the Parent company's stock and the amount can not be appropriated. If the valuation of the stock rises up thereafter, TSEC/GTSM listed companies can reverse the special reserve as much as the reversal of valuation on the basis of the proportionate share (please refer to the Note 16).

Under the Integrated Income Tax System, which became effective on January 1, 1998, ROC resident shareholders are allowed a tax credit for the income tax paid by the Parent Company on earnings generated since January 1, 1998. An Imputation Credit Account (ICA) is maintained by the Parent Company for such income tax and the tax credit allocated to each shareholder. The maximum credit available for allocation to each shareholder cannot exceed the ICA balance on the dividend distribution date.

Under the Company Law, the appropriation for legal reserve should be made until the reserve equals the Parent Company's paid-in capital. This reserve may be used to offset a deficit. Also, when the reserve reaches 50% of the capital, up to 50% may be transferred to capital.

For the years ended December 31, 2008 and 2007, the Parent Company's movements of unrealized gain or loss on financial instruments were as follows:

	Recognized in Shareholders' Equity	Equity-method Investments Recognized in Shareholders' Equity	Total
Year ended December 31, 2008			
Balance, beginning of year	$ 757,337	$ (100,890)	$ 656,447
Decrease in 2008	(1,405,969)	(289,241)	(1,695,210)
Balance, end of year	$ (648,632)	$ (390,131)	$ (1,038,763)
Year ended December 31, 2007			
Balance, beginning of year	$ 381,892	$ (5,645)	$ 376,247
Increase (decrease) in 2007	375,445	(95,245)	280,200
Balance, end of year	$ 757,337	$ (100,890)	$ 656,447

20. TREASURY STOCK (COMMON STOCK)

Unit: In Thousand Shares

Reason for Repurchase	Beginning of Year	Changes in Fiscal Year Increase	Changes in Fiscal Year Decrease	End of Year
2008				
Parent Company's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	27,290	136	-	27,426
For transfer to employees	-	30,565	-	30,565
	27,290	30,701	-	57,991
2007				
Parent Company's shares held by direct and indirect subsidiaries reclassified from long-term stock investments to treasury stock	38,720	186	11,616	27,290

At the end of 2008 and 2007, the Parent Company transfer NT$1,104,073 thousand from available-for-sales financial asset of direct and indirect subsidiaries to treasury stock proportionate to its ownership. Both the carrying value and market value of treasury stock mentioned above were NT$589,561 thousand in 2008, and NT$1,547,688 thousand and 2007, respectively.

The Corporation held a meeting of the Board of Directors on August 27, 2008 and approved a share buyback plan to repurchase the Corporation's common shares up to 30,000 thousand shares listed on the TSE during the period from August 28, 2008 to October 27, 2008 for the buyback price in the range from NT$20.48 to NT$43.6. The Corporation had repurchased 18,565 thousand common shares. All the treasury stock repurchased under this share buyback plan was for transfer to employees.

The Corporation held a meeting of the Board of Directors on October 28, 2008 and approved a share buyback plan to repurchase the Corporation's common shares up to 40,000 thousand shares listed on the TSE during the period from October 29, 2008 to December 28, 2008 for the buyback price in the range from NT$13 to NT$37.1. The Corporation had repurchased 12,000 thousand common shares. All the treasury stock repurchased under this share buyback plan was for transfer to employees

Under the Securities and Exchange Law, the maximum number of treasury stock purchased should not exceed 10% of the Parent Company's total outstanding shares, and the aggregate purchase cost should not exceed the sum of retained earnings, additional paid-in capital in excess of par value and realized capital surplus. The treasury stock cannot be pledged or exercise shareholders' rights. Treasury stock should be reissued within three years from the reacquisition date. Shares not transferred within the time limit will be deemed unissued, and the Parent Company should register with the authorities the change in the number of shares.

Under the Securities and Exchange Law, the treasury stocks acquired by the Parent Company can't be pledged and have no right not only to receive dividends but also to vote. The Parent Company's stock acquired by its subsidiaries should be regarded as treasury stock. Except for participating the Parent Company's raising capital by cash, the right of these subsidiaries have no difference with other shareholders. But, since June 22, 2005, under the amended Company Law, the subsidiaries holding the Parent Company's stocks lost the right to vote.

21. INCOME TAX

a. The reconciliation of income tax expense - current to income tax expense for income before income tax at statutory rate is as follows:

	2008	2007
Income tax expense on income before income tax using the statutory rate	$ 3,177,911	$ 3,790,929
Deduct tax effects of:		
Permanent differences	(1,342,676)	(1,825,532)
Temporary differences	418,340	238,727
Loss carryforwards	(4,452)	(53,798)
Unappropriated earning rates tax (10%)	61,866	7,097
Basic income tax	98,578	63,385
Less: Investment tax credits	(247,856)	(80,244)
Income tax expense - current	$ 2,161,711	$ 2,140,564

b. The components of income tax expense are shown below:

	2008	2007
Income tax expense - current	$ 2,161,711	$ 2,140,564
Deferred income tax	(1,069,567)	128,194
Prior year's adjustment	224,933	21,822
Income tax expense	$ 1,317,077	$ 2,290,580

c. The components of deferred income tax assets and liabilities were as follows:

	December 31 2008	December 31 2007
Current		
Deferred income tax assets		
Accrued warranty expense	$ 262,645	$ 166,395
Allowance for loss on inventories	172,679	233,093
Excess provisions for doubtful receivables	104,221	97,939
Foreign exchange loss, net	101,929	82,745
Unrealized sales return and allowance	99,402	39,596
Unrealized sales profit	53,923	51,323
Loss carryforwards	22,195	23,286
Unrealized losses on financial liability	157	1,484
Investment tax credits	-	43,699
Impairment loss	-	28,999
Others	98,214	103,790
	915,365	872,349
Valuation allowance	(21,223)	(183,657)
	894,142	688,692
Deferred income tax liabilities		
Unrealized foreign exchange gain	(21,695)	(2,440)
Others	(8,057)	(17,657)
	(29,752)	(20,097)
Deferred income tax assets, net	$ 864,390	$ 668,595
Noncurrent		
Deferred income tax assets		
Investment tax credit	$ 1,361,595	$ 947,275
Accumulated equity in the net loss of foreign investees	660,282	486,464
Permanent loss on long-term investments	261,957	243,003
Excess provisions for pension costs	79,678	75,869
Reimbursement payable	51,783	59,970
Impairment loss	43,753	7,572
Allowance for loss on idle assets	1,554	1,572
Loss carryforwards	-	58,756
Others	13,562	33,450
	2,474,164	1,913,931
Valuation allowance	(1,064,720)	(524,382)
	1,409,444	1,389,549
Deferred income tax liabilities		
Accumulated equity in the net gain of foreign investees	(1,593,008)	(2,531,844)
Others	(226,739)	(141,780)
	(1,819,747)	(2,673,624)
Deferred income tax liabilities, net	$ (410,303)	$ (1,284,075)

The income tax rate of the Parent Company and its subsidiaries used in recognizing deferred income tax was 25%. The income tax rate of other subsidiaries used in recognizing deferred income tax was based on legal tax rate.

Income tax returns through 2006 have been examined and cleared by the tax authorities. The Parent Company disagreed with the tax authorities' assessment of its 2004 to 2005 tax return and had applied for a re-examination. Nevertheless, the Parent Company has provided for the income tax assessed by the tax authorities for conservatism.

d. The information on investment tax credit is as follows:

Legislation	Deduction Item	Tax Credit Amount	Unused Tax Credits Ending Balance	Expiry Year
Statute for Upgrading Industries	Research and development cost and professional training expenses	$ 407,077	$ 235,886	2010
	Machinery and equipment	1,759	1,759	2010
	Research and development cost and professional training expenses	383,157	383,157	2011
	Machinery and equipment	516	516	2011
	Research and development cost and professional training expenses	243,345	243,345	2012
		$ 1,035,854	$ 864,663	

e. The integrated income tax information is as follows:

	December 31 2008	December 31 2007
Balance of ICA		
The Parent Company	$ 408,248	$ 555,123
Lite-On IT Corp.	$ 192,731	$ 189,269
Silitech Technology Corp.	$ 152,199	$ 121,538
Lite-On Real Estate Management Co., Ltd.	$ 10,163	$ 11,121
Lite-On Capital Inc.	$ 35,345	$ 34,744
Lite-On Automotive Corp.	$ 5,404	$ 19,506
Leotek Electronics Corp.	$ 8,071	$ 14,902
Li Shin International Enterprise Corp.	$ 18,825	$ 17,842
Logah Technology Corp., Ltd.	$ 51,401	$ 58,090
Philips & Lite-On Digital Solutions Corporation	$ 587	$ 3,768

The expected tax credit ratio on earnings as of December 31, 2008 and applicable tax credit ratio on earnings as of December 31, 2007 are as follows:

	2008	2007
The Parent Company	9.33%	8.78%
Lite-On IT Corp.	9.85%	8.74%
Silitech Technology Corp.	11.96%	10.60%
Lite-On Real Estate Management Co., Ltd.	23.04%	18.41%
Lite-On Capital Inc.	31.99%	44.90%
Lite-On Automotive Corp.	11.17%	14.97%
Leotek Eelctronics Corp.	22.86%	34.88%
Li Shin International Enterprise Corp.	3.57%	3.38%
Logah Technology Corp., Ltd.	10.19%	10.35%
Philips & Lite-On Digital Solutions Corporation	24.23%	23.83%

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2008 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

The unappropriated earnings as of December 31, 2008 and 2007 did not include earnings generated up to December 31, 1997.

22. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSE

	2008			2007		
	Included in Cost of Sales	Included in Operating Expenses	Total	Included in Cost of Sales	Included in Operating Expenses	Total
Employment						
Salary	$ 8,131,449	$ 9,962,555	$ 18,094,004	$ 6,139,645	$ 5,588,572	$ 11,728,217
Insurance	603,992	624,829	1,228,821	370,546	442,069	812,615
Pension	357,882	552,499	910,381	226,367	381,194	607,561
Others	1,111,119	933,236	2,044,355	457,820	416,414	874,234
	10,204,442	12,073,119	22,277,561	7,194,378	6,828,249	14,022,627
Depreciation	4,770,100	1,458,187	6,228,287	2,679,123	946,223	3,625,346
Amortization	1,328,254	1,685,451	3,013,705	317,697	709,771	1,027,468
	$ 16,302,796	$ 15,216,757	$ 31,519,553	$ 10,191,198	$ 8,484,243	$ 18,675,441

Expense for depreciation of idle assets and assets leased to others which were NT$1,020 thousand and NT$3,041 thousands as of December 31, 2008 and 2007, respectively (included in nonoperating expenses - other expenses), were not included in the above depreciation expenses.

Expense for amortization of issuance cost of bonds of the Parent Company which were NT$11,919 thousand and NT$23,701 thousand as of December 31, 2008 and 2007, respectively (included in nonoperating expenses - other expenses), were not included in the above amortization expenses.

23. EARNINGS PER SHARE

The numerator and denominators used in computing earnings per share (EPS) were as follows:

	Amounts (Numerator)		Shares (Denominator)	Earnings Per Share (Dollars)	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
2008					
Basic consolidated EPS					
Consolidated net income	$ 4,769,211	$ 4,419,433	2,198,722	$ 2.17	$ 2.01
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	18,518		
Common stock stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common stock holders plus the effect of potential common stock	$ 4,769,211	$ 4,419,433	2,217,240	$ 2.15	$ 1.99

(Continued)

	Amounts (Numerator)		Shares (Denominator)	Earnings Per Share (Dollars)	
	Pretax	After-tax	(Thousands)	Pretax	After-tax
Pro forma information on the assumption that the Parent Company's shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic consolidated EPS					
Consolidated net income	$ 4,843,101	$ 4,493,323	2,226,149	$ 2.18	$ 2.02
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	18,518		
Common stock stock-based compensation	-	-	-		
Diluted consolidated EPS					
The net income of common stock holders plus the effect of potential common stock	$ 4,843,101	$ 4,493,323	2,244,667	$ 2.16	$ 2.00
2007					
Basic consolidated EPS					
Consolidated net income	$ 9,192,892	$ 8,490,217	2,518,215	$ 3.65	$ 3.37
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	-		
Common stock stock-based compensation	-	-	16		
Diluted consolidated EPS					
The net income of common stock holders plus the effect of potential common stock	$ 9,192,892	$ 8,490,217	2,518,231	$ 3.65	$ 3.37
Pro forma information on the assumption that the Parent Company's shares held by its direct and indirect subsidiaries were not treated as treasury stocks					
Basic consolidated EPS					
Consolidated net income	$ 9,273,552	$ 8,570,877	2,550,523	$ 3.64	$ 3.36
The effect of potential common stock with dilution effect					
Bonus to employees	-	-	-		
Common stock stock-based compensation	-	-	16		
Diluted consolidated EPS					
The net income of common stock holders plus the effect of potential common stock	$ 9,273,552	$ 8,570,877	2,550,539	$ 3.64	$ 3.36

(Concluded)

The average number of shares outstanding for EPS calculation has no dilutive effect for the issuance of common stock stock-based compensation in 2008.

The Parent Company presumes that the partial amount of the bonus to employees will be settled in shares and potential shares from bonus to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing price (after consideration of the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

The average number of shares outstanding for EPS calculation was adjusted retroactively for the issuance of stock dividends. Thus, in 2007, basic and diluted EPS before tax decreased from NT$3.74 to NT$3.65, and basic and diluted EPS after tax decreased from NT$3.45 to NT$3.37, respectively.

24. RELATED-PARTY TRANSACTIONS

Significant transactions with related parties are summarized below and in the accompanying Tables 1 and 2:

a. The sales terms between the Parent Company and its related parties are normal.

b. The cost of the Parent Company's and subsidiaries' purchases from Lite-On Japan Ltd. in 2008 and 2007 is based on cost plus specific profit. Except for these purchases, the purchase terms between the Parent Company and its related parties are normal.

c. The financing and endorsements and guarantees provided by the Parent Company and Subsidiary Companies in 2008 and 2007 are summarized in Note 3.

d. Compensation of directors, supervisors and management personnel:

	Years Ended December 31	
	2008	2007
Bonus	$ 712,294	$ 736,318
Salaries	239,456	285,299
Special compensation	96,396	84,691
Incentives	21,997	26,545
	$ 1,070,143	$ 1,132,853

The compensation of directors, supervisors and management personnel for the year ended December 31, 2007 included the bonuses appropriated from earnings for 2007 which had been approved by shareholders in their annual meeting held in 2008.

25. MORTGAGED OR PLEDGED ASSETS-NONCURRENT

	December 31	
	2008	2007
Mortgaged or pledged assets - noncurrent		
Demand deposits	$ 18,515	$ 29,402
Checking deposits	31,100	31,100
Time deposits	228,171	174,854
	$ 277,786	$ 235,356

Time deposits included Lite-On IT Corporation and Li Shin International Corporation's guarantee deposits with the export customs agency and other guarantee items for shipment clearance in advance of customs duty payments, which were NT$137,810 thousand and NT$85,937 thousand as of December 31, 2008 and 2007, respectively.

In 2006, Hon Hai Precision Co., Ltd. ("Hon Hai") claimed the subsidiaries - Logah Technology Co., Ltd. ("Logah") and Logah Technology (Su Zhou) Ltd. ("Logah Su Zhou") was in breach of certain debt covenants with Hon Hai and requested the court to execute a provisional seizure against Logah's assets worth NT$180,000 thousand. To maintain its regular operation while facing this seizure order, Logah and its subsidiary provided the court with cash (including time deposit, checking and demand deposits) of NT$139,976 thousand and NT$149,419 thousand for seizure as of December 31, 2008 and 2007, respectively.

26. SIGNIFICANT COMMITMENTS AND CONTINGENT LIABILITIES

a. As of December 31, 2008, the rentals of the Group for the following years are summarized as follows:

Type of Property Leased	Lease Period	Annual Rental Payable
<u>Lite-On IT Corp.</u>		
Hsinchu land	2004.02.10-2023.12.31	$ 7,476
<u>Logah Technology Corp., Ltd. and its subsidiaries</u>		
Hsinchu office	2009.01.01-2009.12.31	18,542
	2010.01.01-2010.12.31	11,062
	2011.01.01-2011.12.31	3,092
	2012.01.01-2012.12.31	2,963
	2013.01.01-2013.04.30	988

b. On behalf of SONICBLUE Inc. ("SONICBLUE"), a client of the Parent Company, the Official Committee of Unsecured Creditors (OCUC) filed a lawsuit against the Parent Company with the San Jose District Court in California of the United States of America. The OCUC demanded that the Parent Company refund SONICBLUE US$1,624 thousand, the total payment for goods sold by the Parent Company to SONICBLUE Inc. in the 90 days before March 21, 2003, the date when SONICBLUE became bankrupt. The court tried this case on February 28, 2006, and the Parent Company designated a lawyer to collect information to make a counter-plea. As of February 27, 2009, the date of the accompanying auditors' report, the Parent Company believed this lawsuit would not significantly affect its operations.

c. The bankruptcy trustee for TRIGEM AMERICA Corporation (TAC), a customer of the Parent Company, filed a lawsuit with the US California Santa Ana District Court, demanding that the Parent Company return the US$712 thousand paid by TAC 90 days before TAC's bankruptcy declaration date (June 3, 2007). The bankruptcy trustee wanted to redistribute this amount to all of TAC's creditors, including the Parent Company. The Parent Company had appointed a lawyer to handle this litigation. As of February 27, 2009, the Parent Company believed this litigation would have no material impact on the Parent Company's operation.

d. On April 18, 2006, Lite-On IT Corporation ("Lite-On IT") acknowledged that Synchrome Technology Inc. ("Synchrome) filed lawsuits with the US District Court for the Eastern District of Texas against Lite-On IT's subsidiary, Lite-On (USA) International Inc., and five other companies for alleged infringement of Synchrome's two US pattern PC system technologies. Lite-On IT appointed a lawyer to deal with this lawsuit; nevertheless, Lite-On IT reasonably estimated and recorded the related minimum royalty payments. Recently, Synchrome had reached a settlement with the majority of the defendants and is undergoing settlement negotiations with Lite-On IT. As a result, management believes this pending litigation would have no material impact on Lite-On IT's financial statements.

e. On February 23, 2006, Hon Hai Precision Co., Ltd. ("Hon Hai") claimed that Logah Technology Co., Ltd. ("Logah") was in breach of certain debt covenants with Hon Hai and requested the court to execute a provisional seizure of Logah's assets worth NT$180,000 thousand. To maintain its regular operation while facing this seizure order, Logah provided the court with assets for seizure, consisting of NT$139,976 thousand and NT$149,419 thousand in cash (including time deposit, checking and demand deposits) as of December 31, 2008 and 2007, respectively, NT$29,858 thousand in inventory (the entire amount was expensed as impairment loss in 2006), and NT$24,339 thousand in fixed and idle assets. The net book values as of December 31, 2008 and 2007 of the fixed assets set aside for the provisional seizure were NT$7,587 thousand and NT$11,125 thousand, respectively, which were recorded under fixed assets and idle assets, respectively. On March 21, 2006, Hon Hai filed a civil lawsuit against Logah and demanded a provisional seizure of Logah's assets, claiming that Logah had infringed Hon Hai's two patent rights and operating secrets on inverters and demanded NT$180,000 thousand as compensation. To avoid Hon Hai's disruption of Logah's production, sales and other commercial activity on inverters, Logah filed on March 31, 2006 a stay of the provisional execution with Taiwan's Banciao District Court. The district court ruled that Logah should provide a guarantee deposit of NT$38,986 thousand (recorded as refundable deposit) and granted the request for a stay of the provisional execution. The district court's ruling was confirmed later by the Supreme Court and Hon Hai's appeal to the Supreme Court was dismissed. Thus, Logah was allowed to continue its inverter production, sale and related commercial activities.

   On April 14, 2006 and May 18, 2006, Hon Hai claimed that Logah Technology (Su Zhou) Co., Ltd. ("Logah Su Zhou") had infringed Hon Hai's trade secret and patent rights and filed a lawsuit, demanding RMB20,000 thousand and RMB10,000 thousand, respectively, as compensation. To maintain its regular operation despite this lawsuit, Logah Su Zhou provided the court and customs agency with RMB3,848 thousand and RMB6,598 thousand (included in mortgaged or pledged assets-noncurrent) as of December 31, 2008 and 2007, respectively. On March 5, 2007, Hon Hai withdrew all charges against Logah Su Zhou, and this withdrawal was approved by the local district court.

   For the above litigation, Logah's lawyer indicated that Hon Hai lacked sufficient evidence to support its claim for the damages related to the patent right and operation secrets. Logah's management believed that Hon Hai's charges against Logah and its subsidiaries were unrealistic and had no material impact on Logah and its subsidiaries.

f. Lite-On IT Corp. ("Lite-On IT") had entered into a joint operations agreement with certain unrelated parties. Thus, starting from the first quarter of 2007, Lite-On IT will appropriate funds quarterly into a refundable deposit account as a guarantee for technical development authorization. The 2008 year-end balance of this refundable deposit account was NT$845,060 thousand.

g. Silitech Technology (Suzhou) Ltd. had entered into an agreement for Guangdong No. 1 Construction Engineering Co., Ltd. to construct production facilities for RMB187,883 thousand (including tax). As of December 31, 2008, RMB153,389 thousand had been paid.

27. OTHER EVENTS

a. On February 3, 2008, the Parent Company's factory in Shijie Town in Dong Guan City in China burned down because of an accident. The estimated loss on the factories, equipment and inventories of Titanic Capital Services Ltd., Lite-On Computer Tech (DG), Yet Foundate Ltd., and Silitech Electronic (DG) Ltd., subsidiaries of the Parent Company, was NT$1.085 billion (about US$33,700 thousand) at book value. The Parent Company believes that the property and business insurance is enough to cover this loss.

b. To focus on the Parent Company's core business, the board of directors resolved on April 29, 2008 the transfer of the Parent Company' s Digital Display Business Unit (DDBU) to Wistron Corporation ("Wistron") for around NT$8.738 billion. The transaction involves the transfer of DDBU's sales, assets, and liabilities, including DDBU's inventory, equipment, intellectual property, accrued warranty, and personnel, which belonged to the Parent Company and its subsidiaries in British Virgin Islands, China and U.S.A. In their regular meeting on June 25, 2008, the Parent Company's shareholders approved this transfer. As of December 31, 2008, this transaction had been completed, i.e., all of DDBU's sales, assets, and liabilities had been transferred to Wistron, and the receivables on this transaction had been fully collected. The excess collections on the intangible asset transactions were NT$1.2 billion, included in nonoperating income - gain on disposal of tangible assets.

c. Responding to the global economic downturn, a subsidiary of the Parent Company, Lite-On IT Corporation, adjusted its research and development (R&D) direction and product line by reducing the scale of the R&D department of the grandson company, Philips & Lite-On Digital Solutions Netherlands B.V., and estimated the related possible expenses and at about NT$508.321 million (approximately EUR10,977 thousand). This amount was recorded in both other current liabilities and nonoperating expenses - other expenses.

28. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Parent Company and its investees:

1) Financing provided: Note 2 to the financial statements

2) Endorsement/guarantee provided: Note 2 to the financial statements

3) Marketable securities held: Note 2 to the financial statements

4) Marketable securities acquired and disposed of at costs or prices of at least NT$100 million or 20% of the capital stock: Note 2 to the financial statements

5) Acquisition of individual real estates at costs of at least NT$100 million or 20% of the capital stock: Note 2 to the financial statements

6) Disposition of individual real estates at least NT$100 million or 20% of the capital stock: Note 2 to the financial statements

7) Total purchase from or sale to related parties amounting to at least NT$100 million or 20% of the capital stock: Note 2 to the financial statements

8) Receivables from related parties amounting to at least NT$100 million or 20% of the capital stock: Note 2 to the financial statements

9) Names, locations, and related information of investees on which the Parent Company exercises significant influence: Note 2 to the financial statements

10) Derivative financial transactions: Note 29 to the financial statements

b. Investment in Mainland China

1) Investment in Mainland China: Note 2 to the financial statements

2) Significant direct or indirect transactions with the investee, prices, payment terms, and unrealized gain or loss: Note 2 to the financial statements

29. FINANCIAL INSTRUMENTS

a. Fair values of financial instruments were as follows:

	December 31			
	2008		2007	
Nonderivative Financial Instruments	**Carrying Amount**	**Fair Value**	**Contract Amount**	**Fair Value**
Assets				
Available-for-sale financial assets - current	$ 3	$ 3	$ 7,043	$ 7,043
Available-for-sale financial assets - noncurrent	1,834,848	1,834,848	2,753,106	2,753,106
Financial assets measured at cost - noncurrent	2,010,182	-	926,420	-
Liabilities				
Current portion of long-term debts	1,478,743	1,451,833	2,234,489	2,234,489
Long-term debts, net of current portion	20,615,633	20,606,257	16,790,586	16,790,586

		December 31			
		2008		2007	
Derivative Financial Instruments	**Currency**	**Carrying Amount**	**Fair Value**	**Contract Amount**	**Fair Value**
Lite-On Technology Corp.					
Derivative financial liability for hedging - current					
Interest rate swap	NT$	$ -	$ -	$ (20,568)	$ (20,568)
Derivative financial liability for hedging - noncurrent					
Interest rate swap	NT$	(250,304)	(250,304)	-	-
Location					
Domestic	NT$	(250,304)	(250,304)	(20,568)	(20,568)
Foreign (foreign corporation operating in domestic district included)	-	-	-	-	-
Lite-On IT Corp.					
Financial assets at fair value through profit or loss - current					
Foreign contracts	US$ and EUR	4,797	4,797	174	174
Forward contracts	US$	-	-	21,405	21,405
Cross currency swap	US$ and EUR	42,209	42,209	-	-
Location					
Domestic	US$ and EUR	1,460	1,460	174	174
Foreign (foreign corporation operating in domestic district included)	US$ and EUR	45,546	45,546	21,405	21,405
Financial liabilities at fair value through profit or loss - current					
Foreign contracts	US$ and EUR	(1,389)	(1,389)	-	-
Forward contracts	US$ and EUR	-	-	(2,720)	(2,720)
Cross currency swap	US$ and EUR	(13,425)	(13,425)	(495)	(495)

(Continued)

Derivative Financial Instruments	Currency	December 31 2008 Carrying Amount	2008 Fair Value	2007 Contract Amount	2007 Fair Value
Location					
Domestic	US$ and EUR	$ (8,134)	$ (8,134)	$ -	$ -
Foreign (foreign corporation operating in domestic district included)	US$ and EUR	(6,680)	(6,680)	(3,215)	(3,215)
Leotek Electronics Corp.					
Financial liabilities at fair value through profit or loss - current					
Forward contracts	US$	(628)	(628)	(373)	(373)
Location					
Domestic	US$	(628)	(628)	(373)	(373)
Foreign (foreign corporation operating in domestic district included)	NT$	-	-	-	-
Lite-On Automotive Corp.					
Financial liabilities at fair value through profit or loss - current					
Forward contracts	NT$	-	-	(229)	(229)
Location					
Domestic	NT$	-	-	(229)	(229)
Foreign (foreign corporation operating in domestic district included)	-	-	-	-	-
Perlos Oyj					
Financial assets at fair value through profit or loss - current					
Forward contracts	JPY	128	128	-	-
Cross currency swap	HKD, JPY, SEK, SGD and US$	19,624	19,624	-	-
Location					
Domestic	-	-	-	-	-
Foreign (foreign corporation operating in domestic district included)	HKD, JPY, SEK, SGD and US$	19,752	19,752	-	-
Perlos (Guangzhou) Electronic Components Co. Ltd.					
Financial liabilities at fair value through profit or loss - current					
Forward contracts	JPY and US$	(1,285)	(1,285)	-	-
Location					
Domestic	-	-	-	-	-
Foreign (foreign corporation operating in domestic district included)	JPY and US$	(1,285)	(1,285)	-	-
Perlos Ltd.					
Financial liabilities at fair value through profit or loss - current					
Forward contracts	BRL	(3,429)	(3,429)	-	-
Location					
Domestic	-	-	-	-	-
Foreign (foreign corporation operating in domestic district included)	BRL	(3,429)	(3,429)	-	-

(Continued)

Derivative Financial Instruments	Currency	December 31 2008 Carrying Amount	2008 Fair Value	2007 Contract Amount	2007 Fair Value
Lite On Japen Ltd.					
Financial assets at fair value through profit or loss - current					
Forward contracts	US$	$ 81,193	$ 81,193	$ -	$ -
Options-call	US$	1,348	1,348	-	-
Location					
Domestic	-	-	-	-	-
Foreign (foreign corporation operating in domestic district included)	US$	82,541	82,541	-	-
Financial liabilities at fair value through profit or loss - current					
Options-put	US$	(93,680)	(93,680)	-	-
Location					
Domestic	-	-	-	-	-
Foreign (foreign corporation operating in domestic district included)	US$	(93,680)	(93,680)	-	-

(Concluded)

b. Methods and assumptions used in the determination of fair values of financial instruments.

1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash, notes receivable, accounts receivable, receivables from related parties, other financial assets - current, Noncurrent assets classified as held for sale, short-term debts, deposits received, notes and accounts payable, accrued expenses, payables to related parties, and current portion of long-term debts.

2) The carrying amounts of the refundable deposits and guarantee deposits received approximate their fair values due to the amount which will be received in the future approaches to the book value.

3) Fair values of the available-for-sale assets are based on their quoted prices in an active market. Fair values of derivatives are based on their quoted prices in an active market. For those derivatives with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.

4) Financial assets carried at cost have no fair values because these are investments in unlisted stocks with no quoted market prices and determining their fair value entails an unreasonably high cost.

5) Fair value of long-term loans is estimated using the present value of future cash flows. The rate for long-term debts with interests of our company are all floating rate, its book value is the fair market value.

c. The fair values of the Parent Company and its subsidiaries financial assets and liabilities were based on quoted market prices or on estimates using certain valuation techniques, as follows:

	Based on the Quoted Market Price		Determined Using Valuation Techniques	
	December 31		December 31	
	2008	2007	2008	2007
Lite-On Technology Corp.				
Assets				
Available-for-sale financial assets - noncurrent	$ 912,597	$ 1,247,780	$ -	$ -
Liabilities				
Derivative financial liabilities for hedging - current	-	-	-	20,568
Derivative financial liabilities for hedging - noncurrent	-	-	250,304	-
Long-term debts (including current portion)	-	-	16,300,000	14,976,516
Financial assets at fair value through profit or loss - current	-	-	47,006	21,579
Available-for-sale financial assets - noncurrent	48,656	109,968	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	14,814	3,215
LET (HK) Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	-	330,035	-	-
Lite-On Capital Inc.				
Assets				
Available-for-sale financial assets - noncurrent	9,034	35,804	-	-
Leotek Electronics Corp.				
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	628	373
Long-term debts (including current portion)	-	-	10,960	16,440
Lite-On Electronics Co., Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	228,705	230,897	-	-

(Continued)

	Based on the Quoted Market Price December 31		Determined Using Valuation Techniques December 31	
	2008	2007	2008	2007
Lite-On International Holding Co., Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	$ 333,102	$ 333,741	$ -	$ -
Yet Foundate Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	240,897	241,279	-	-
Lite-On (Guang Zhou) Infortech Ltd.				
Liabilities				
Long-term debts (including current portion)	-	-	-	58,590
Lite-On Automotive Co., Ltd.				
Assets				
Available-for-sale financial assets - noncurrent	60,829	223,602	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	-	229
Li Shin International Enterprise Corp.				
Assets				
Available-for-sale financial assets - current	3	7,043	-	-
Liabilities				
Long-term debts (including current portion)	-	-	-	200,000
Silitech Technology Corp.				
Liabilities				
Long-term debts (including current portion)	-	-	1,293,228	1,632,757
Perlos Orj				
Assets				
Financial assets at fair value through profit or loss - current	-	-	19,752	-

(Continued)

	Based on the Quoted Market Price December 31 2008	2007	Determined Using Valuation Techniques December 31 2008	2007
Liabilities				
Financial liabilities at fair value through profit or loss - current	$ -	$ -	$ 4,714	$ -
Long-term debts (including current portion)	-	-	2,780,102	2,140,772
<u>Lite-On Japen Ltd.</u>				
Assets				
Financial assets at fair value through profit or loss - current	-	-	82,541	-
Available-for-sale financial assets - noncurrent	1,028	-	-	-
Liabilities				
Financial liabilities at fair value through profit or loss - current	-	-	93,680	-
Long-term debts (including current portion)	-	-	1,673,800	-
<u>Lite-On (Guang Zhou) Infortech Ltd.</u>				
Liabilities				
Long-term debts (including current portion)	-	-	36,286	-

(Concluded)

d. As of December 31, 2008 and 2007, financial assets exposed to fair value risk from interest rate fluctuation amounted to NT$26,194,625 thousand and NT$20,328,582 thousand, financial assets exposed to cash flow risk from interest rate fluctuation amounted to NT$16,612,934 thousand and NT$19,400,474 thousand, respectively. Financial liabilities exposed to cash flow risk from interest rate fluctuation amounted to NT$28,625,628 thousand and NT$32,128,909 thousand.

e. The Parent Company recognized NT$1,405,969 thousand and NT$375,445 thousand in shareholders' equity for the changes in fair value of available-for-sale financial assets on December 31, 2008 and 2007.

f. Financial risks

1) Market risk. The derivative financial instruments categorized as financial assets at fair value through profit or loss are mainly used to hedge exchange rate fluctuations of non- functional foreign currency-dominated stocks and sales. The market risk is not significant due to the gain or loss on derivatives will offset by the gain or loss on the exchange rate fluctuations of hedged items. The available-for-sale financial assets held by the cooperation and its subsidiaries are listed stocks. Thus, price fluctuations in the open market would result in changes in fair values of these stocks.

2) Credit risk. Credit risk represents the potential loss that would be incurred by the Parent Company and its subsidiaries if the counter-parties or other parties breach the contracts. Thus, contracts with positive fair values on the balance sheet date are evaluated for credit risk. In addition, since the counter-parties to derivative financial transactions are reputable financial institutions, management believes its exposure to default by counter-parties is low.

3) Liquidity risk. For long-term equity-method investments and financial assets carried at cost, the Parent Company and its subsidiaries keep liquidity reserves, which are available on a short term. Additionally, the contracted forward rate is decided on the contract starting dates. Thus, the cash flow risk on forward contracts is low.

4) Cash flow hedge. The Parent Company's liabilities with floating interest rate might be affected by changes in the market rate. Thus, future cash flows on those liabilities might fluctuate, exposing the Parent Company to cash flow risk. To hedge against this risk, the Parent Company entered into an interest rate swap contract with a bank to change the rate on its liabilities from floating to fixed. Other information on the cash flow hedge transactions is summarized below.

Financial Instruments	Date	Nominal Principal	Float Rate	Fixed Rate	Settlement Date	Due Date
Lite-On Technology Corp.						
Interest rate swap	December 31, 2008	$ 1,500,000	Note	2.375%	Quarterly	2013.9.23
	December 31, 2008	1,000,000	〃	2.3575%	Quarterly	2013.9.23
	December 31, 2008	1,500,000	〃	2.323%	Quarterly	2013.9.23
	December 31, 2008	1,000,000	〃	2.275%	Quarterly	2013.9.23
	December 31, 2008	1,000,000	〃	2.2125%	Quarterly	2013.9.23
	December 31, 2007	1,600,000	0%	1.39%	Semiannual	2008.9.25 and 9.26

Note: Based on the average rate for 90-day notes in Taiwan's secondary market.

Hedged Items	Designated Hedging Instruments: Financial Instruments Designated	Fair Value December 31: 2008	Fair Value December 31: 2007	Expected Period of Cash Flows	Expected Period of Realizing Gains or Losses
Bonds with floating interest rates	Interest rate swap	$ -	$ (20,568)	2003-2008	2003-2008
Medium and long-term loans	Interest rate swap	(250,304)	-	2008-2013	2008-2013

30. SEGMENT INFORMATION

a. Industry: The Parent Company and its subsidiaries are engaged in a single industry only, the manufacture and sale of monitors, multifunction and all-in-one printers, printers, modems and computer peripherals.

b. Foreign operations: The Parent Company had no revenue-generating unit overseas as of December 31, 2008.

c. Export sales: Export sales are summarized by geographical area as follows:

Geographical Area	2008	2007
America	$ 29,819,990	$ 72,060,443
Europe	49,567,374	61,581,413
Asia	90,038,290	93,556,446
Others	1,531,296	3,321,727
	$ 170,956,950	$ 230,520,029

d. Major customers

Customer	2008 Amount	2008 % of Total	2007 Amount	2007 % of Total
A	$ 15,374,702	6.67	$ 26,876,922	10.26

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

		Receivable from Related Parties					Payable to Related Parties				
	Nature of	Accounts Receivable		Other Receivable			Accounts Payable		Other Payable		
Related Party	Relationship (Note 1)	Amount	% (Note 2)	Amount	% (Note 2)	Total	Amount	% (Note 2)	Amount	% (Note 2)	Total
2008											
Lite-On Semiconductor Corp.	a	$ -	-	$ 3,237	37	$ 3,237	$ 126,457	36	$ -	-	$ 126,457
Silpert Travel Service Co., Ltd.	d	-	-	-	-	-	-	-	3,667	1	3,667
Apor Development Limited	b	-	-	-	-	-	-	-	773	-	773
Pors Wiring (Su Zhou) Co., Ltd.	b	-	-	-	-	-	31,338	9	-	-	31,338
S/G Industries Inc.	b	130	1	23	-	153	-	-	-	-	-
Chi Mei Machinery Corp.	e	-	-	-	-	-	53,544	15	45,479	13	99,023
Canfield Ltd.	b	-	-	-	-	-	-	-	91,483	26	91,483
Others (Note 3)		5,214	59	256	-	5,470	-	-	-	-	-
Total		$ 5,344	60	$ 3,516	40	$ 8,860	$ 211,339	60	$ 141,402	40	$ 352,741
2007											
Lite-On Japan Ltd.	a	$ 895,904	64	$ 106,667	8	$ 1,002,571	$ 180,246	28	$ 1,051	-	$ 181,297
Lite-On Japan(S) Pte. Ltd.	b	24,063	2		-	24,063	-	-	-	-	-
Lite-On Japan(HK) Ltd.	b	294,886	21		-	294,886	119,409	18	-	-	119,409
Lite-On Semiconductor Corp.	a	390	-	5,372	-	5,762	183,907	28	-	-	183,907
Silpert Travel Service Co., Ltd.	f	-	-	-	-	-	-	-	4,136	1	4,136
L&K Industries Philippines, Inc.	b	2,179	-	-	-	2,179	-	-	-	-	-
S/G Industries Inc.	b	44,144	3	7,582	1	51,726	-	-	-	-	-
Chi Mei Machinery Corp.	g	-	-	-	-	-	48,440	8	29,177	4	77,617
Co-Tech Copper Foil Corp.	d	1,195	-	-	-	1,195	-	-	-	-	-
Coxon Precise Industrial Co., Ltd.	b	-	-	-	-	-	22,410	3	9,851	2	32,261
JLMS	b	-	-	-	-	-	-	-	31,920	5	31,920
Apor Development Limited	b	-	-	-	-	-	-	-	15,492	2	15,492
Others (Note 3)		15,750	1	599	-	16,349	-	-	3,844	1	3,844
Total		$ 1,278,511	91	$ 120,220	9	$ 1,398,731	$ 554,412	85	$ 95,471	15	$ 649,883

(Continued)

Note 1: a. Equity-method investee.
b. An investee of a subsidiary.
c. Its director is the parent company's chairman.
d. Its chairman is a relative of the Parent Company's chairman.
e. Its chairman is the CEO of an investee of an equity-method subsidiary.

Note 2: Percentage of specific account balance.

Note 3: Others include the following companies:

a. An investee of an equity-method subsidiary: Silitek Technology Corp.

Note 4: Except for the listed above, Table 11 discloses the relationship between the Parent Company and other related parties, and their names.

Note 5: Significant transactions between the entities of consolidation have already eliminated.

(Concluded)

TABLE 2

LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

RELATED-PARTY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars)

Related Party	Nature of Relationship (Note 1)	Sales (Note 2) Amount	Sales (Note 2) % (Note 3)	Purchases (Note 2) Amount	Purchases (Note 2) % (Note 3)	Other Revenue	Rental Expense	Other Expense (Note 4)	Property Transaction Book Value	Property Transaction Proceeds	Property Transaction Disposal Gain (Loss)	Property Transaction Cost
2008												
Silpert Travel Service Co., Ltd.	a	$ -	-	$ -	-	$ -	$ -	$ 69,117	$ -	$ -	$ -	$ -
Lite-On Semiconductor Corp.	b	-	-	261,455	-	-	-	-	-	-	-	-
B.H Precision Industrial Co., Ltd.	b	-	-	-	-	436	-	-	-	-	-	-
Dragonjet Corporation	b	-	-	-	-	164	-	-	-	-	-	-
Pors Wiring(Su Zhou)Co., Ltd.	a	-	-	58,751	-	-	-	-	-	-	-	-
Chi Mei Machinery Corp.	b	-	-	101,757	-	914	-	40,042	-	-	-	-
S/G Industries Inc.	b	132,598	-	-	-	-	-	-	-	-	-	-
Others (Note 3)		33,763	-	1,983	-	-	-	-	-	-	-	-
Total		$ 166,361	-	$ 423,946	-	$ 1,514	$ -	$ 109,159	$ -	$ -	$ -	$ -
2007												
Lite-On Japan Ltd.	a	$ 4,814,768	-	$ 93,130	-	$ 985	$ -	$ 32,098	$ -	$ -	$ -	$ -
Lite-On Japan(S) Pte. Ltd.	b	245,428	-	-	-	-	-	-	-	-	-	-
Lite-On Japan (HK) Ltd.	b	2,023,087	-	-	-	68	-	-	-	-	-	-
Co-Tech Copper Foil Corp.	b	3,649	-	-	-	-	-	-	-	-	-	-
Dragonjet Corporation	a	-	-	-	-	-	-	1,200	-	-	-	-
L&K Industries Philippines, Inc.	b	14,610	-	-	-	-	-	-	-	-	-	-
Lite-On Semiconductor Corp.	a	5,675	-	-	-	3,232	-	-	-	-	-	-
S/G Industries Inc.	b	258,708	-	-	-	-	-	-	-	-	-	-
Coxon Precise Industrial Co., Ltd.	b	-	-	35,867	-	-	-	-	-	-	-	-
Chi Mei Machinery Corp.	e	-	-	82,330	-	914	20,549	-	-	-	-	-
Others		29,151	-	-	-	-	-	1,092	-	-	-	-
Total		$ 7,395,076	-	$ 211,327	-	$ 5,199	$ 20,549	$ 34,390	$ -	$ -	$ -	$ -

Note 1: a. Equity-method investee.
b. An investee of an equity-method subsidiary.
c. Its chairman is a relative of the Parent Company's chairman.
d. Its director is the CEO of an investee of an equity-method subsidiary.

(Continued)

Note 2: Except for certain transactions described in Note 20, these sales and purchases were conducted under normal terms.

Note 3: Percentage of specific account balance.

Note 4: Mainly included reprocessing fees, promotion fees and repair expenses.

Note 5: Except for the listed above, Table 11 discloses the relationship between the Parent Company and other related parties, and the names.

Note 6: Others include the following companies:

a. An investee of an equity-method subsidiary: Silitek Technology Corp.

Note 7: Significant transactions between the entities of consolidation have already eliminated.

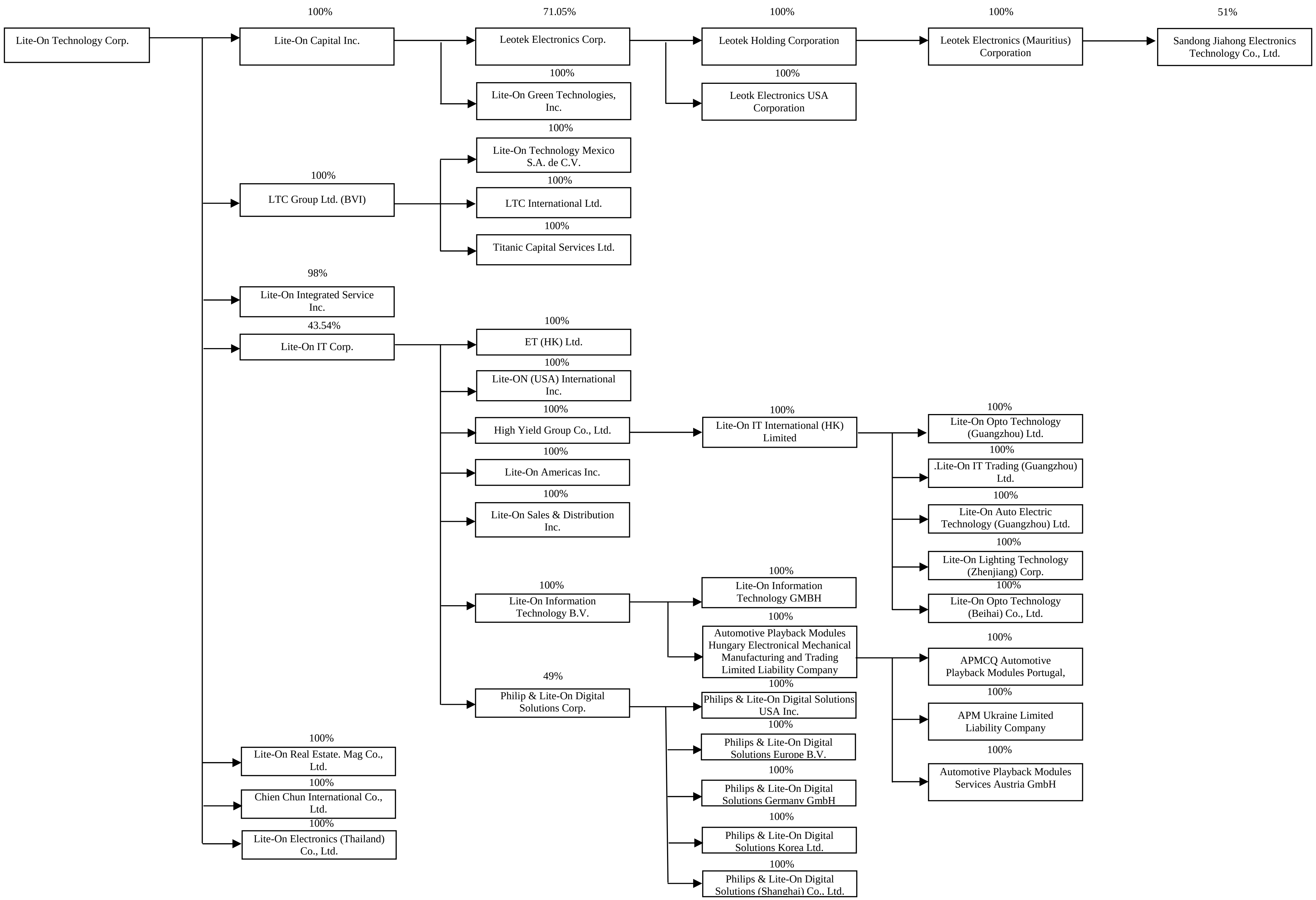
(Concluded)

TABLE 3

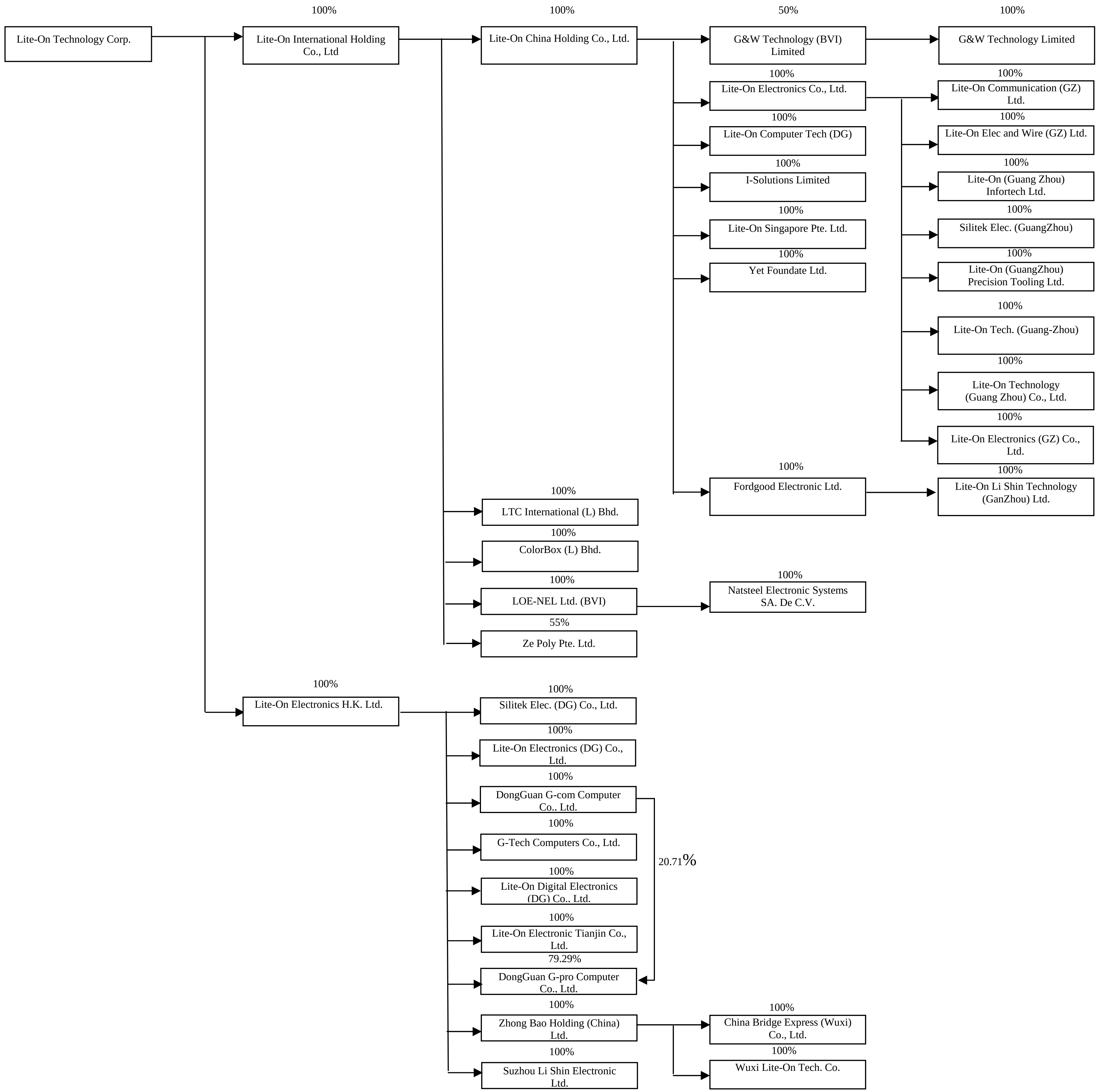
LITE-ON TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND PERCENTAGES OF OWNERSHIP
YEARS ENDED DECEMBER 31, 2008 AND 2007

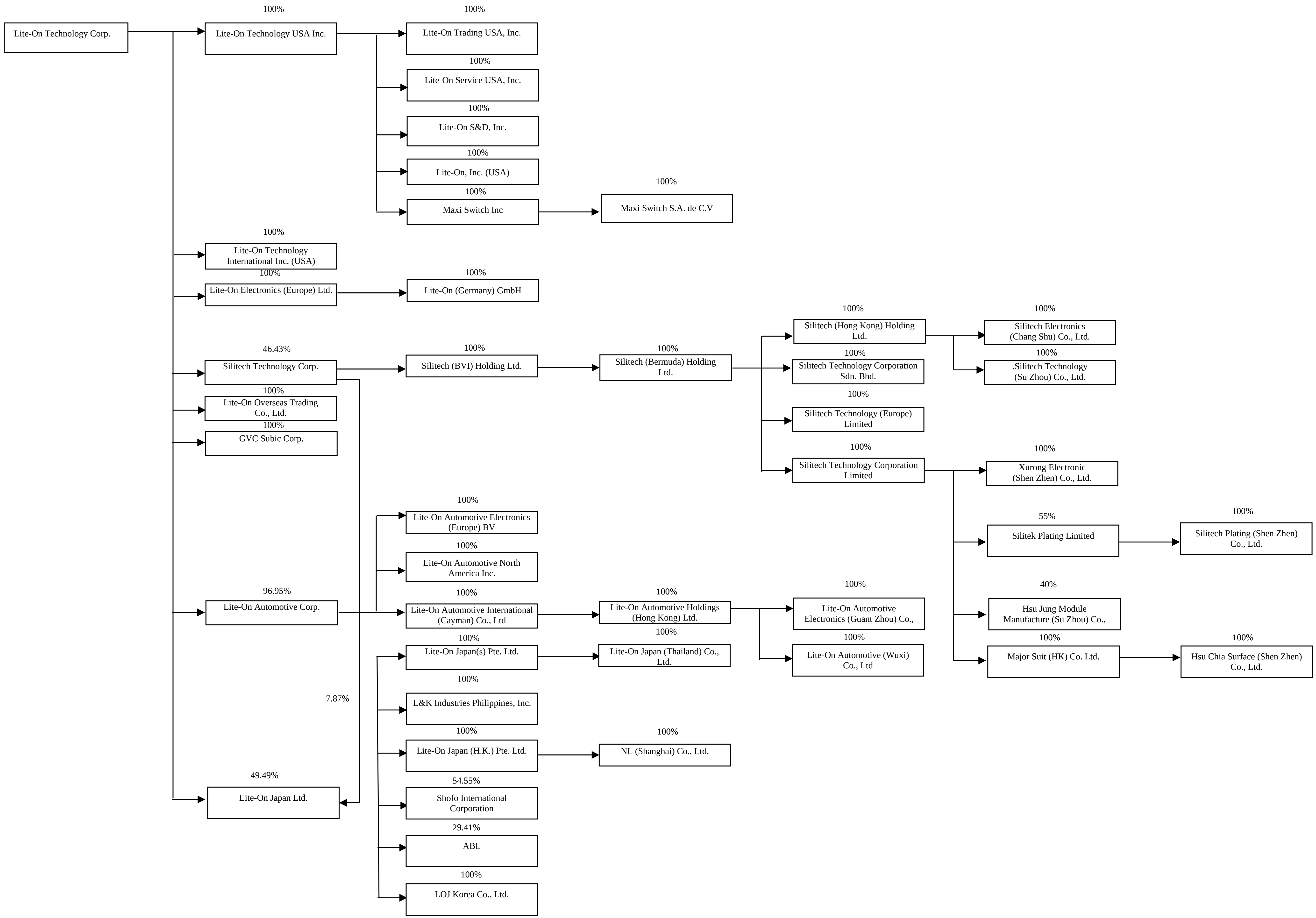
December 31, 2008



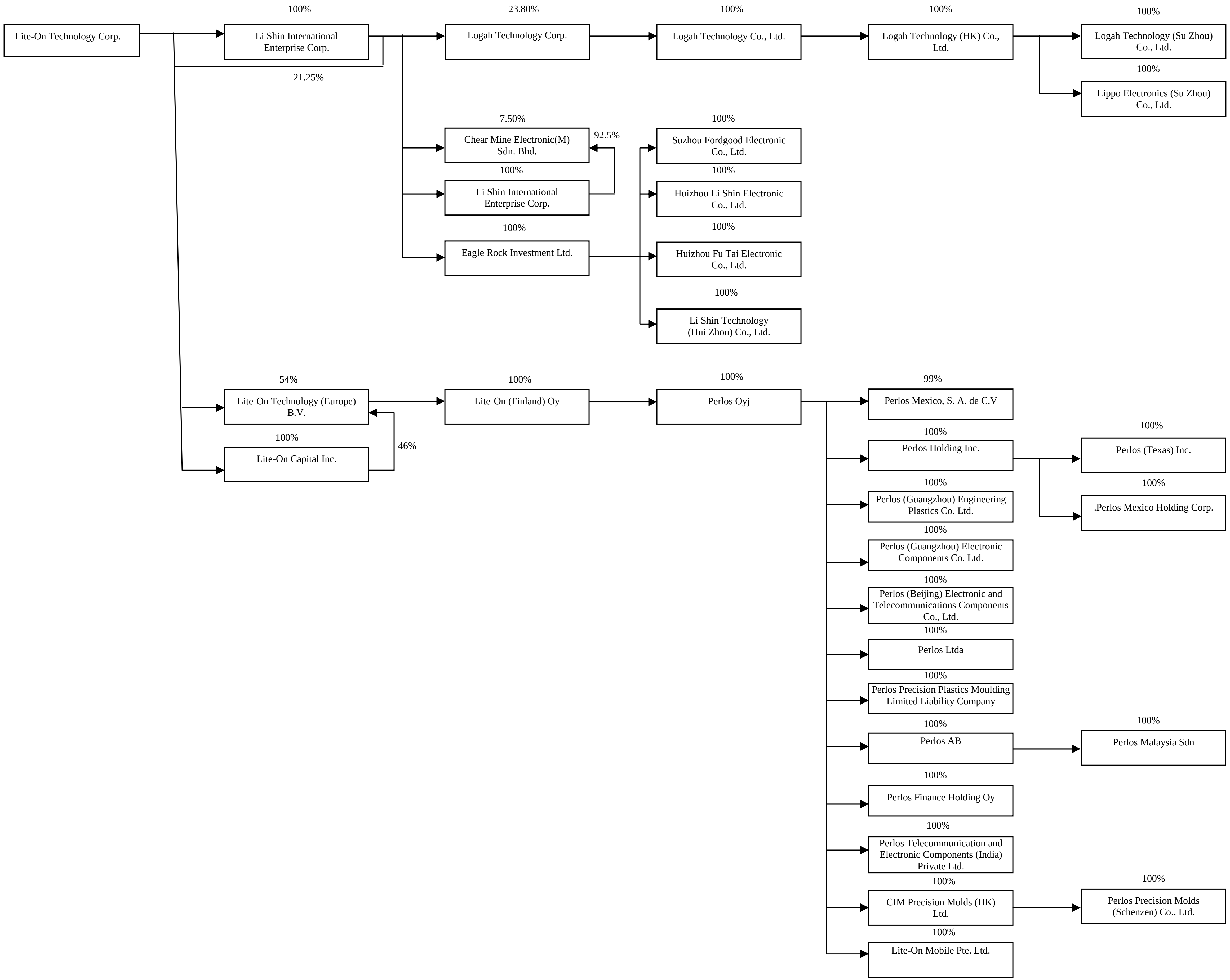
(Continued)


Lite-On Technology Corp.
100%
Lite-On International Holding Co., Ltd
100%
Lite-On China Holding Co., Ltd.
50%
G&W Technology (BVI) Limited
100%
G&W Technology Limited
100%
Lite-On Electronics Co., Ltd.
100%
Lite-On Communication (GZ) Ltd.
100%
Lite-On Elec and Wire (GZ) Ltd.
100%
Lite-On (Guang Zhou) Infortech Ltd.
100%
Silitek Elec. (GuangZhou)
100%
Lite-On (GuangZhou) Precision Tooling Ltd.
100%
Lite-On Tech. (Guang-Zhou)
100%
Lite-On Technology (Guang Zhou) Co., Ltd.
100%
Lite-On Electronics (GZ) Co., Ltd.
100%
Lite-On Computer Tech (DG)
100%
I-Solutions Limited
100%
Lite-On Singapore Pte. Ltd.
100%
Yet Foundate Ltd.
100%
Fordgood Electronic Ltd.
100%
Lite-On Li Shin Technology (GanZhou) Ltd.
100%
LTC International (L) Bhd.
100%
ColorBox (L) Bhd.
100%
LOE-NEL Ltd. (BVI)
100%
Natsteel Electronic Systems SA. De C.V.
55%
Ze Poly Pte. Ltd.
100%
Lite-On Electronics H.K. Ltd.
100%
Silitek Elec. (DG) Co., Ltd.
100%
Lite-On Electronics (DG) Co., Ltd.
100%
DongGuan G-com Computer Co., Ltd.
100%
G-Tech Computers Co., Ltd.
20.71%
100%
Lite-On Digital Electronics (DG) Co., Ltd.
100%
Lite-On Electronic Tianjin Co., Ltd.
79.29%
DongGuan G-pro Computer Co., Ltd.
100%
Zhong Bao Holding (China) Ltd.
100%
China Bridge Express (Wuxi) Co., Ltd.
100%
Wuxi Lite-On Tech. Co.
100%
Suzhou Li Shin Electronic Ltd.

(Continued)

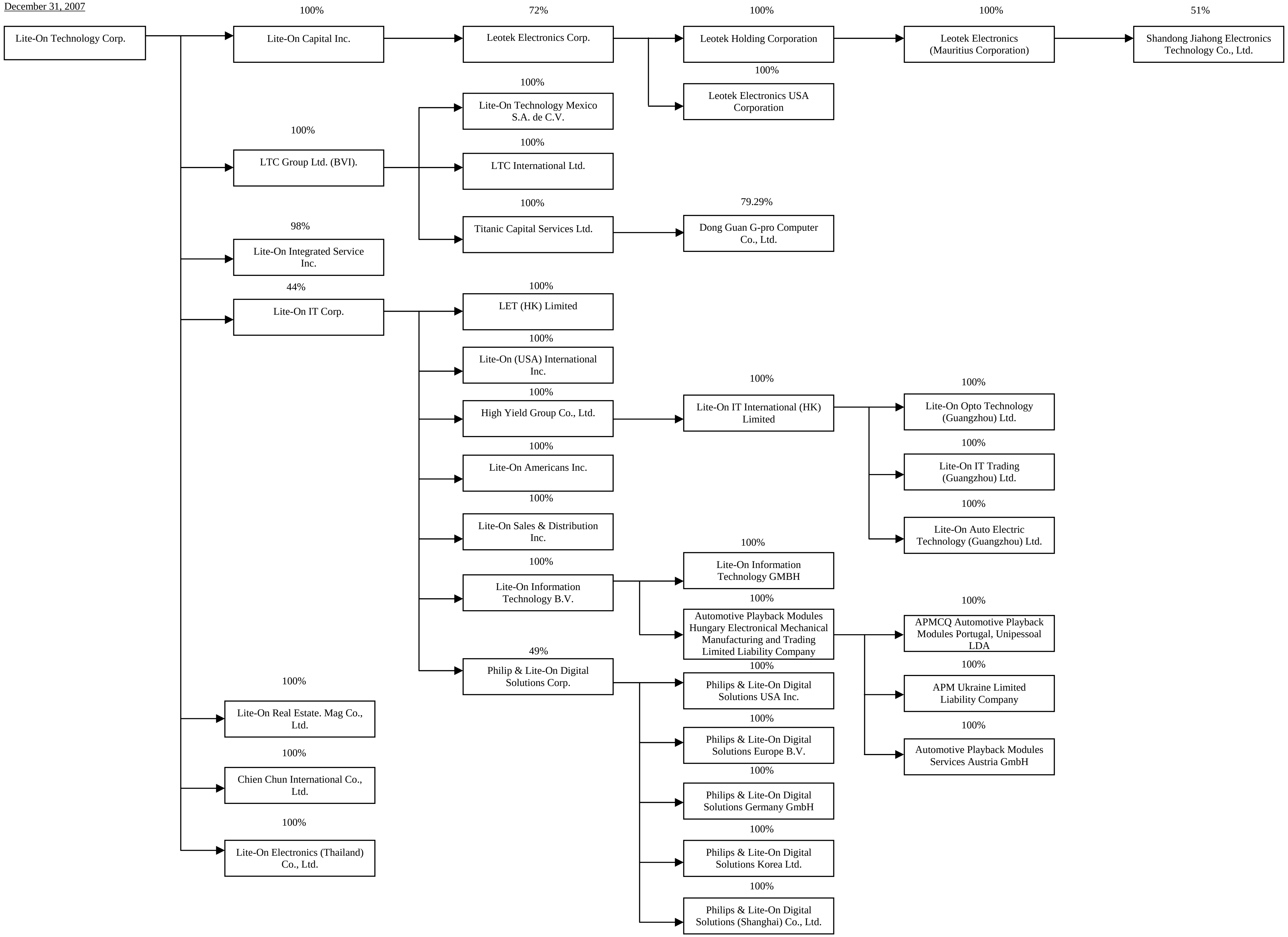

Lite-On Technology Corp.
100%
Lite-On Technology USA Inc.
100%
Lite-On Trading USA, Inc.
100%
Lite-On Service USA, Inc.
100%
Lite-On S&D, Inc.
100%
Lite-On, Inc. (USA)
100%
Maxi Switch Inc
100%
Maxi Switch S.A. de C.V
100%
Lite-On Technology International Inc. (USA)
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On (Germany) GmbH
46.43%
Silitech Technology Corp.
100%
Silitech (BVI) Holding Ltd.
100%
Silitech (Bermuda) Holding Ltd.
100%
Silitech (Hong Kong) Holding Ltd.
100%
Silitech Electronics (Chang Shu) Co., Ltd.
100%
.Silitech Technology (Su Zhou) Co., Ltd.
100%
Silitech Technology Corporation Sdn. Bhd.
100%
Silitech Technology (Europe) Limited
100%
Silitech Technology Corporation Limited
100%
Xurong Electronic (Shen Zhen) Co., Ltd.
55%
Silitek Plating Limited
100%
Silitech Plating (Shen Zhen) Co., Ltd.
40%
Hsu Jung Module Manufacture (Su Zhou) Co.,
100%
Major Suit (HK) Co. Ltd.
100%
Hsu Chia Surface (Shen Zhen) Co., Ltd.
100%
Lite-On Overseas Trading Co., Ltd.
100%
GVC Subic Corp.
100%
Lite-On Automotive Electronics (Europe) BV
100%
Lite-On Automotive North America Inc.
96.95%
Lite-On Automotive Corp.
100%
Lite-On Automotive International (Cayman) Co., Ltd
100%
Lite-On Automotive Holdings (Hong Kong) Ltd.
100%
Lite-On Automotive Electronics (Guant Zhou) Co.,
100%
Lite-On Automotive (Wuxi) Co., Ltd
7.87%
49.49%
Lite-On Japan Ltd.
100%
Lite-On Japan(s) Pte. Ltd.
100%
Lite-On Japan (Thailand) Co., Ltd.
100%
L&K Industries Philippines, Inc.
100%
Lite-On Japan (H.K.) Pte. Ltd.
100%
NL (Shanghai) Co., Ltd.
54.55%
Shofo International Corporation
29.41%
ABL
100%
LOJ Korea Co., Ltd.

(Continued)

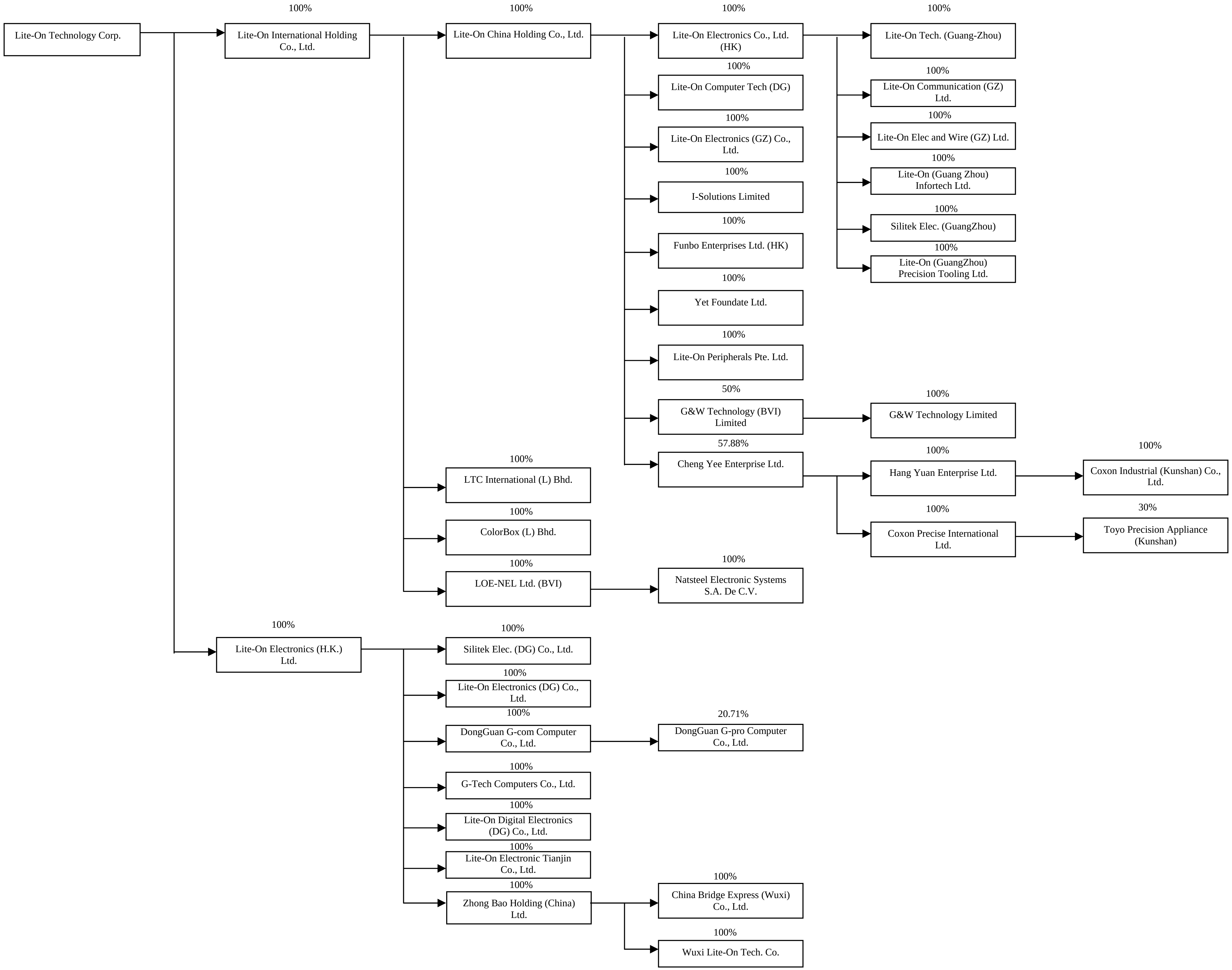

Lite-On Technology Corp.
100%
Li Shin International Enterprise Corp.
21.25%
23.80%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (HK) Co., Ltd.
100%
Logah Technology (Su Zhou) Co., Ltd.
100%
Lippo Electronics (Su Zhou) Co., Ltd.
7.50%
Chear Mine Electronic(M) Sdn. Bhd.
92.5%
100%
Li Shin International Enterprise Corp.
100%
Eagle Rock Investment Ltd.
100%
Suzhou Fordgood Electronic Co., Ltd.
100%
Huizhou Li Shin Electronic Co., Ltd.
100%
Huizhou Fu Tai Electronic Co., Ltd.
100%
Li Shin Technology (Hui Zhou) Co., Ltd.
54%
Lite-On Technology (Europe) B.V.
100%
Lite-On Capital Inc.
46%
100%
Lite-On (Finland) Oy
100%
Perlos Oyj
99%
Perlos Mexico, S. A. de C.V
100%
Perlos Holding Inc.
100%
Perlos (Texas) Inc.
100%
.Perlos Mexico Holding Corp.
100%
Perlos (Guangzhou) Engineering Plastics Co. Ltd.
100%
Perlos (Guangzhou) Electronic Components Co. Ltd.
100%
Perlos (Beijing) Electronic and Telecommunications Components Co., Ltd.
100%
Perlos Ltda
100%
Perlos Precision Plastics Moulding Limited Liability Company
100%
Perlos AB
100%
Perlos Malaysia Sdn
100%
Perlos Finance Holding Oy
100%
Perlos Telecommunication and Electronic Components (India) Private Ltd.
100%
CIM Precision Molds (HK) Ltd.
100%
Perlos Precision Molds (Schenzen) Co., Ltd.
100%
Lite-On Mobile Pte. Ltd.

(Continued)

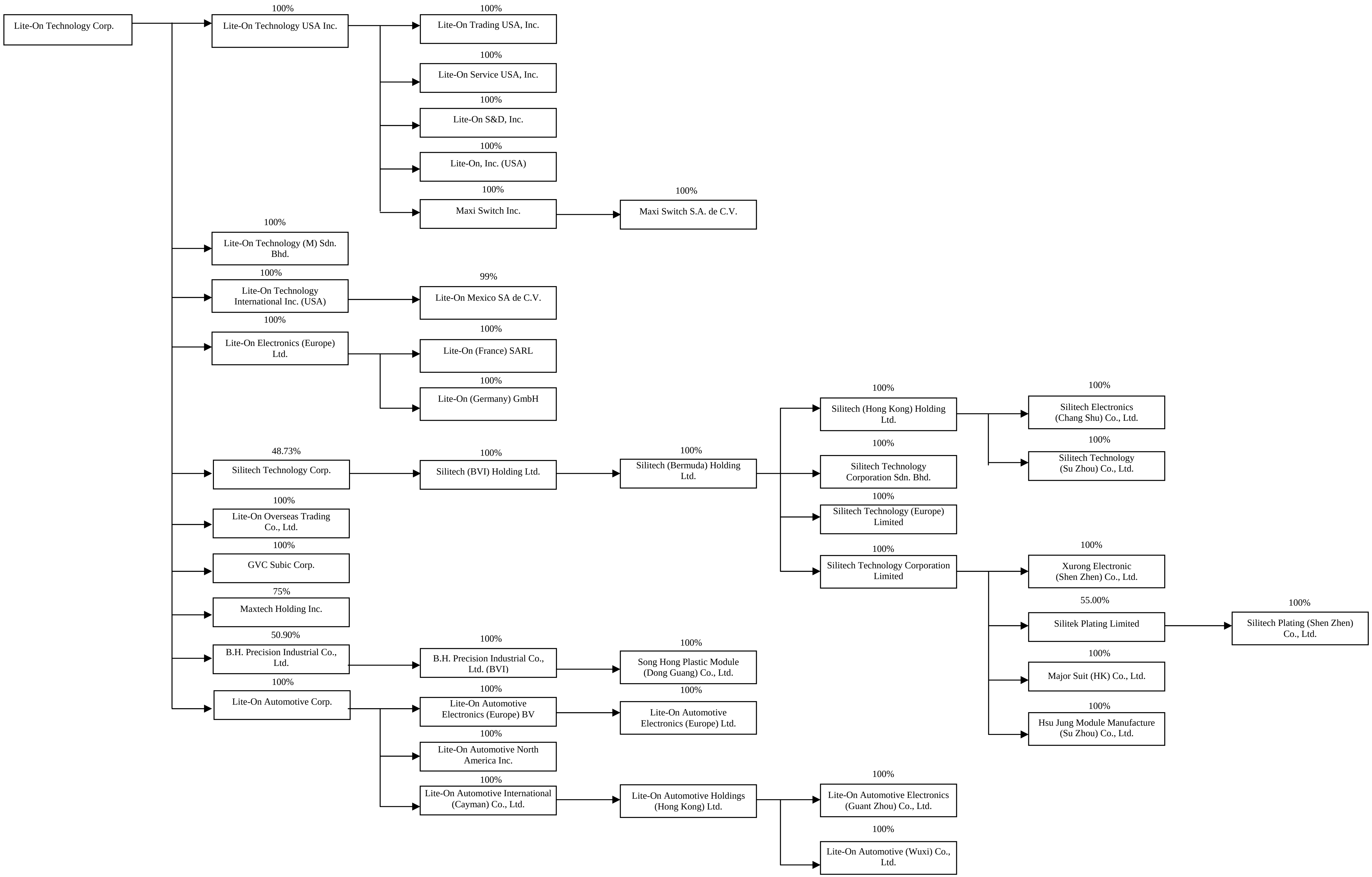
December 31, 2007



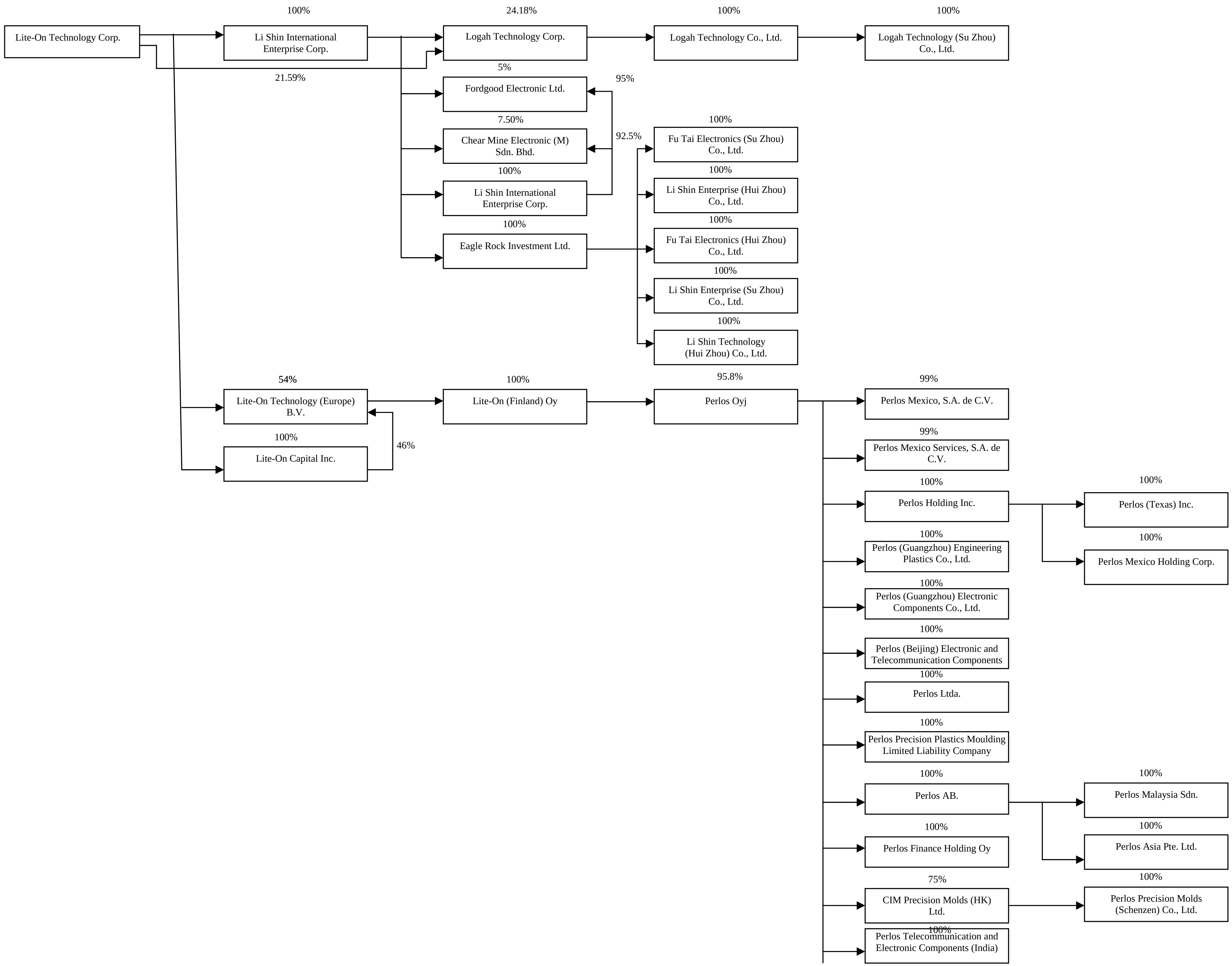
(Continued)


Lite-On Technology Corp.
100%
Lite-On International Holding Co., Ltd.
100%
Lite-On China Holding Co., Ltd.
100%
Lite-On Electronics Co., Ltd. (HK)
100%
Lite-On Tech. (Guang-Zhou)
100%
Lite-On Computer Tech (DG)
100%
Lite-On Communication (GZ) Ltd.
100%
Lite-On Electronics (GZ) Co., Ltd.
100%
Lite-On Elec and Wire (GZ) Ltd.
100%
Lite-On (Guang Zhou) Infortech Ltd.
100%
I-Solutions Limited
100%
Silitek Elec. (GuangZhou)
100%
Lite-On (GuangZhou) Precision Tooling Ltd.
100%
Funbo Enterprises Ltd. (HK)
100%
Yet Foundate Ltd.
100%
Lite-On Peripherals Pte. Ltd.
50%
G&W Technology (BVI) Limited
100%
G&W Technology Limited
57.88%
Cheng Yee Enterprise Ltd.
100%
Hang Yuan Enterprise Ltd.
100%
Coxon Industrial (Kunshan) Co., Ltd.
100%
Coxon Precise International Ltd.
30%
Toyo Precision Appliance (Kunshan)
100%
LTC International (L) Bhd.
100%
ColorBox (L) Bhd.
100%
LOE-NEL Ltd. (BVI)
100%
Natsteel Electronic Systems S.A. De C.V.
100%
Lite-On Electronics (H.K.) Ltd.
100%
Silitek Elec. (DG) Co., Ltd.
100%
Lite-On Electronics (DG) Co., Ltd.
100%
DongGuan G-com Computer Co., Ltd.
20.71%
DongGuan G-pro Computer Co., Ltd.
100%
G-Tech Computers Co., Ltd.
100%
Lite-On Digital Electronics (DG) Co., Ltd.
100%
Lite-On Electronic Tianjin Co., Ltd.
100%
Zhong Bao Holding (China) Ltd.
100%
China Bridge Express (Wuxi) Co., Ltd.
100%
Wuxi Lite-On Tech. Co.

(Continued)


Lite-On Technology Corp.
100%
Lite-On Technology USA Inc.
100%
Lite-On Trading USA, Inc.
100%
Lite-On Service USA, Inc.
100%
Lite-On S&D, Inc.
100%
Lite-On, Inc. (USA)
100%
Maxi Switch Inc.
100%
Maxi Switch S.A. de C.V.
100%
Lite-On Technology (M) Sdn. Bhd.
100%
Lite-On Technology International Inc. (USA)
99%
Lite-On Mexico SA de C.V.
100%
Lite-On Electronics (Europe) Ltd.
100%
Lite-On (France) SARL
100%
Lite-On (Germany) GmbH
48.73%
Silitech Technology Corp.
100%
Silitech (BVI) Holding Ltd.
100%
Silitech (Bermuda) Holding Ltd.
100%
Silitech (Hong Kong) Holding Ltd.
100%
Silitech Electronics (Chang Shu) Co., Ltd.
100%
Silitech Technology (Su Zhou) Co., Ltd.
100%
Silitech Technology Corporation Sdn. Bhd.
100%
Silitech Technology (Europe) Limited
100%
Silitech Technology Corporation Limited
100%
Xurong Electronic (Shen Zhen) Co., Ltd.
55.00%
Silitek Plating Limited
100%
Silitech Plating (Shen Zhen) Co., Ltd.
100%
Major Suit (HK) Co., Ltd.
100%
Hsu Jung Module Manufacture (Su Zhou) Co., Ltd.
100%
Lite-On Overseas Trading Co., Ltd.
100%
GVC Subic Corp.
75%
Maxtech Holding Inc.
50.90%
B.H. Precision Industrial Co., Ltd.
100%
B.H. Precision Industrial Co., Ltd. (BVI)
100%
Song Hong Plastic Module (Dong Guang) Co., Ltd.
100%
Lite-On Automotive Corp.
100%
Lite-On Automotive Electronics (Europe) BV
100%
Lite-On Automotive Electronics (Europe) Ltd.
100%
Lite-On Automotive North America Inc.
100%
Lite-On Automotive International (Cayman) Co., Ltd.
Lite-On Automotive Holdings (Hong Kong) Ltd.
100%
Lite-On Automotive Electronics (Guant Zhou) Co., Ltd.
100%
Lite-On Automotive (Wuxi) Co., Ltd.

(Continued)


Lite-On Technology Corp.
100%
Li Shin International Enterprise Corp.
21.59%
24.18%
Logah Technology Corp.
100%
Logah Technology Co., Ltd.
100%
Logah Technology (Su Zhou) Co., Ltd.
5%
Fordgood Electronic Ltd.
95%
7.50%
Chear Mine Electronic (M) Sdn. Bhd.
92.5%
100%
Li Shin International Enterprise Corp.
100%
Eagle Rock Investment Ltd.
100%
Fu Tai Electronics (Su Zhou) Co., Ltd.
100%
Li Shin Enterprise (Hui Zhou) Co., Ltd.
100%
Fu Tai Electronics (Hui Zhou) Co., Ltd.
100%
Li Shin Enterprise (Su Zhou) Co., Ltd.
100%
Li Shin Technology (Hui Zhou) Co., Ltd.
54%
Lite-On Technology (Europe) B.V.
100%
Lite-On Capital Inc.
46%
100%
Lite-On (Finland) Oy
95.8%
Perlos Oyj
99%
Perlos Mexico, S.A. de C.V.
99%
Perlos Mexico Services, S.A. de C.V.
100%
Perlos Holding Inc.
100%
Perlos (Texas) Inc.
100%
Perlos Mexico Holding Corp.
100%
Perlos (Guangzhou) Engineering Plastics Co., Ltd.
100%
Perlos (Guangzhou) Electronic Components Co., Ltd.
100%
Perlos (Beijing) Electronic and Telecommunication Components
100%
Perlos Ltda.
100%
Perlos Precision Plastics Moulding Limited Liability Company
100%
Perlos AB.
100%
Perlos Malaysia Sdn.
100%
Perlos Asia Pte. Ltd.
100%
Perlos Finance Holding Oy
75%
CIM Precision Molds (HK) Ltd.
100%
Perlos Precision Molds (Schenzen) Co., Ltd.
100%
Perlos Telecommunication and Electronic Components (India)

(Concluded)